

# **The Use of the Existing Housing Stock in the South East**

Final report from the Cambridge Centre for  
Housing and Planning Research, University of  
Cambridge

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Assembly**

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# ***1. Introduction: The current housing stock in the South East***

1. Much of the focus in housing policy has always been upon the quantity, tenure and location of new provision. This new housing is needed in order to provide for growing levels of demand and need for housing. Yet, as the Draft South East Plan states, around 80% of households in 2026 will be living within the existing stock. It is the future condition and resource efficiency of the current stock which will largely determine the housing conditions of households living in 2026.

2. Demand for housing can be considered to be the quantity of housing that households can afford and choose to purchase or rent within the open market. Some households are unable to provide themselves with adequate housing through the open market and are therefore in need of some type of affordable housing (such as social rented housing). The central aim of this project is to establish how the whole of the current housing stock will be used in 20 years time, and how it can best meet both demands and needs.

3. The draft South East Plan's approach to housing pressure includes:

- A drive to make better use of the existing housing stock
- Measures designed to reduce the number of vacant properties
- Encouraging adaptations of existing dwellings
- Encouraging smaller households occupying larger properties to move to smaller properties.

These could all potentially help the existing stock to meet higher levels of both demand and need. For the purposes of this research the following uses are taken not to be making "best use" of the existing housing stock:

- Empty properties
- Second homes<sup>1</sup>
- Under-occupied housing, where households have two or more bedrooms than they need, according to the Bedroom Standard<sup>2</sup>
- Housing with untapped potential to extend
- Housing in poor condition
- Environmentally-damaging housing

4. There are, however, many forces determining the ways in which the existing stock is used. Drivers underlying possible changes to the use of the existing housing stock include

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<sup>1</sup> "Second homes" is used in this report to refer to a home (such as a holiday home) not in use as a primary residence of any household. In other words, it does not include "buy-to-let" properties.

<sup>2</sup> The standard number of bedrooms is: one bedroom for a couple; one bedroom for each remaining person aged 21 or over; and one bedroom between two for other household members, provided that persons of opposite sexes may not share a bedroom unless both are under the age of 10.

changing demographics and household types, income levels, changing aspirations and preferences (for instance for urban or rural living), demand for second homes, and policies designed for other purposes (such as those helping older people to remain in their own homes). There are also some factors that affect the tenures differently, such as changes to social housing allocation policies, which can alter the ways in which social housing is used.

5. Looking ahead to 2026 also elevates the importance of some drivers of which we are only just feeling the impact in 2006. The impact of climate change on our housing stock will be critical in terms of the ability of the existing stock to withstand and adapt to the effect of climate change, as well as of the ongoing contribution that the existing housing stock makes to exacerbating the impact of climate change. Allied to this is the pressure on natural resources. The impacts of water shortages are already emphasised in the media in 2006 and there is much debate on whether we have already reached or are just about to reach our peak in terms of oil production.

6. This all relates to the condition of our existing stock and the draft South East Plan's objective of providing everyone with the opportunity of a decent home. This will obviously hinge upon improvements to the existing stock over the next 20 years. As the Plan acknowledges, there were in 2004 around 125,100 unfit homes in the South East, over 95% of which were in the private sector. An even greater challenge will be ensuring that existing homes come close to the standards of energy efficiency being achieved by new homes.

7. The three specific objectives of the study are:

- 1) to assess the way in which the existing housing stock is currently used;
- 2) to analyse the key drivers that determine the ways in which the housing stock is used and the ways in which the impact of these drivers might change over the next 20 years, identifying areas of relative certainty and uncertainty;
- 3) to analyse the extent to which future housing need and demand can be accommodated within the existing stock in the form of high-quality housing; and

## 2. *Current use of the housing stock*

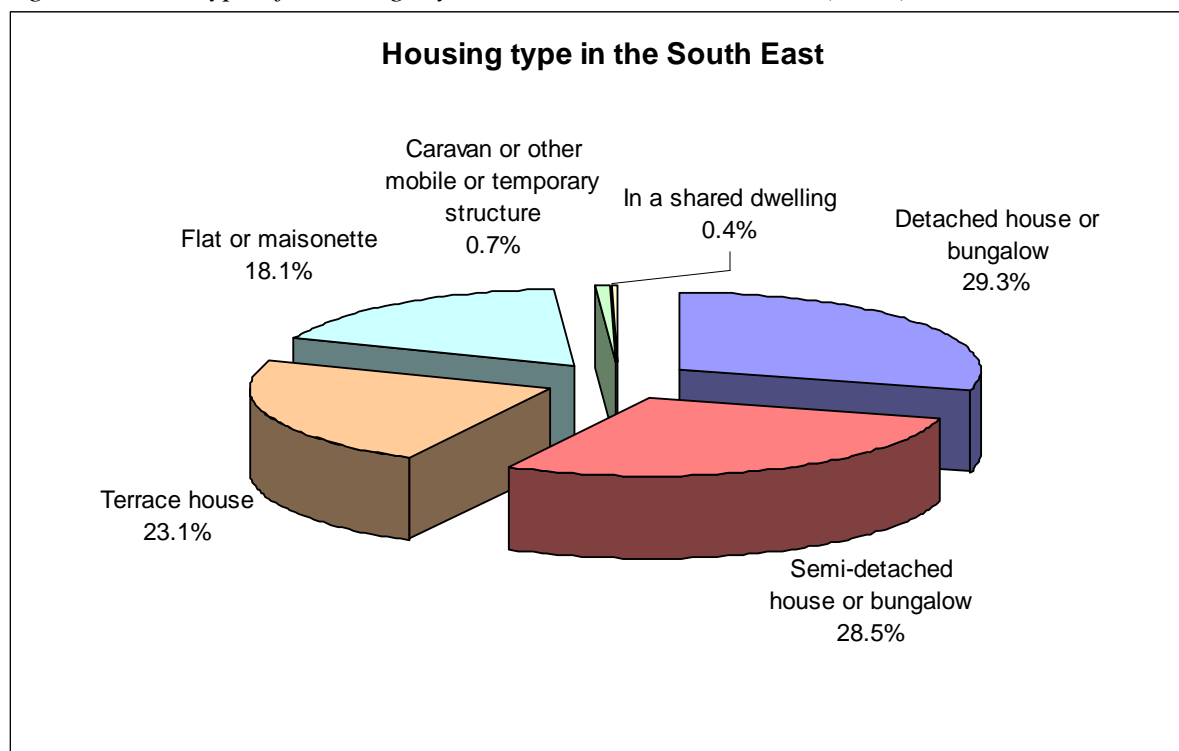
8. This chapter examines the current use of housing stock in South East England. The first half of the chapter considers a number of issues, including: occupancy rates; shared dwellings and communal establishments; and the number of empty properties and second homes in the region. The second half of the chapter introduces issues relating to sustainability and the environment.

### **Key findings**

- *Tenure* - Levels of private renting are higher in the South East than any other region outside London. Levels of social renting are lower than the national average.
- *Occupancy* - Under-occupation levels in the South East are similar to those of the rest of the country, whilst overcrowding levels are the second highest in England. Under-occupation is much more prevalent in owner-occupier households.
- *Sharing and communal establishments* - Over the last 40 years there has been a gradual decline in the proportion of individuals living in communal establishments such as psychiatric institutions and children's homes.
- *Empty properties* - The South East has the lowest levels of vacant properties of any English region. Levels have decreased since 1991 and the majority of vacant properties in the South East are found in the private sector.
- *Second homes* - There are approximately 23,000 second homes in the South East, representing less than 1% of the total housing stock. Second homes are highly localised and occur mainly along the South coast.
- *Extensions and conversions* - Much of the increase in larger dwellings in the region has come about through extensions to existing housing. One source of stock net increase in South East is the conversion of non-residential buildings and flats and the division of larger houses into smaller flats.
- *Stock condition* - 3.4% of the South East housing stock has been classified as unfit, with the Kent coast being affected most. The number of social sector homes failing the Decent Homes Standard is decreasing.
- *Resource efficiency* - Domestic consumption accounts for 50% of the UK's water usage and almost a third of CO<sub>2</sub> emissions. Much of the existing housing stock is inefficient in terms of energy and water use. Older and larger houses use more energy. Between 1996/7 to 2003/4 in the South East, municipal waste increased by over 14%.

## 2.1 Housing type

Figure 2.1: Type of dwelling, by household in the South East (2001)<sup>3</sup>



Source: 2001 Census

9. As can be seen from Figure 2.1, the majority of households in the South East live in detached or semi-detached houses, with slightly lower numbers in terraced houses, flats and maisonettes.

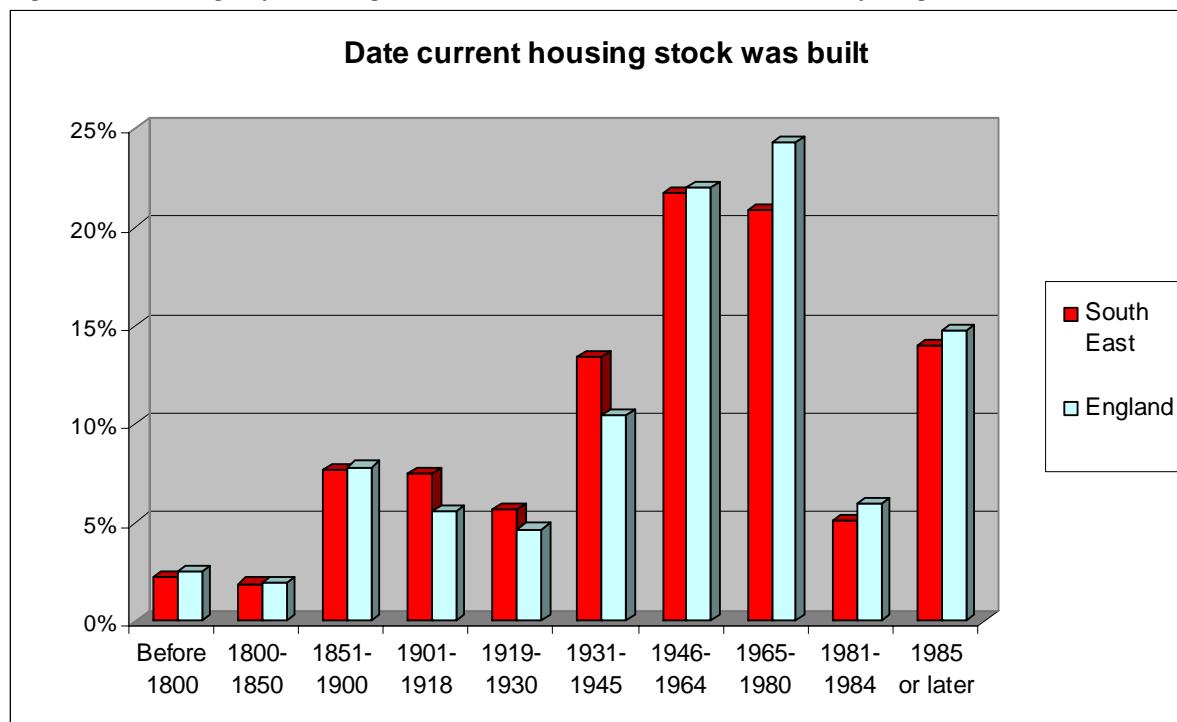
## 2.2 Age of housing

10. Most of the housing stock in the South East has been built since 1945, with the period of 1945-80 being the time when 43% of today's housing was built. Only 2.2% of the housing was built prior to 1800, and a further 9.6% was built during the 19<sup>th</sup> century (*Survey of English Housing* [SEH] 2004/5). The age of the housing in the South East region is very similar to that of England as a whole:

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<sup>3</sup> The data table supporting this chart can be found in Annex A

Figure 2.2 Age of housing in the South East, and in the whole of England



Source: SEH 2004/5

11. Further analysis shows that the majority of council housing (71%) was built between 1946 and 1980. Housing association properties show a similar pattern, as these include those bought under stock transfers from local authorities, but also include a higher proportion (27%) built since 1980. Within the private sector a large proportion of properties again were built between 1946 and 1980 (43%) but 14% were built prior to 1900. These properties were the most likely to be rented out, rather than owner-occupied, with 24% of private renting households living in properties built prior to 1900 (SEH 2004/5).

12. Flats in converted houses and terraced properties are on average older, though the majority of terraced housing in the South East has been built since 1946 (SEH 2004/5).

## 2.3 Tenure

Table 2.1: Tenure of the housing stock in the South East (April 2004)

| Tenure                      | Number    | % of total stock |
|-----------------------------|-----------|------------------|
| Local authority             | 206,000   | 5.9%             |
| RSL                         | 255,000   | 7.4%             |
| Owner-occupied              | 2,605,000 | 75.2%            |
| Private rented <sup>4</sup> | 401,000   | 11.6%            |
| Total dwelling stock        | 3,467,000 | 100.0%           |

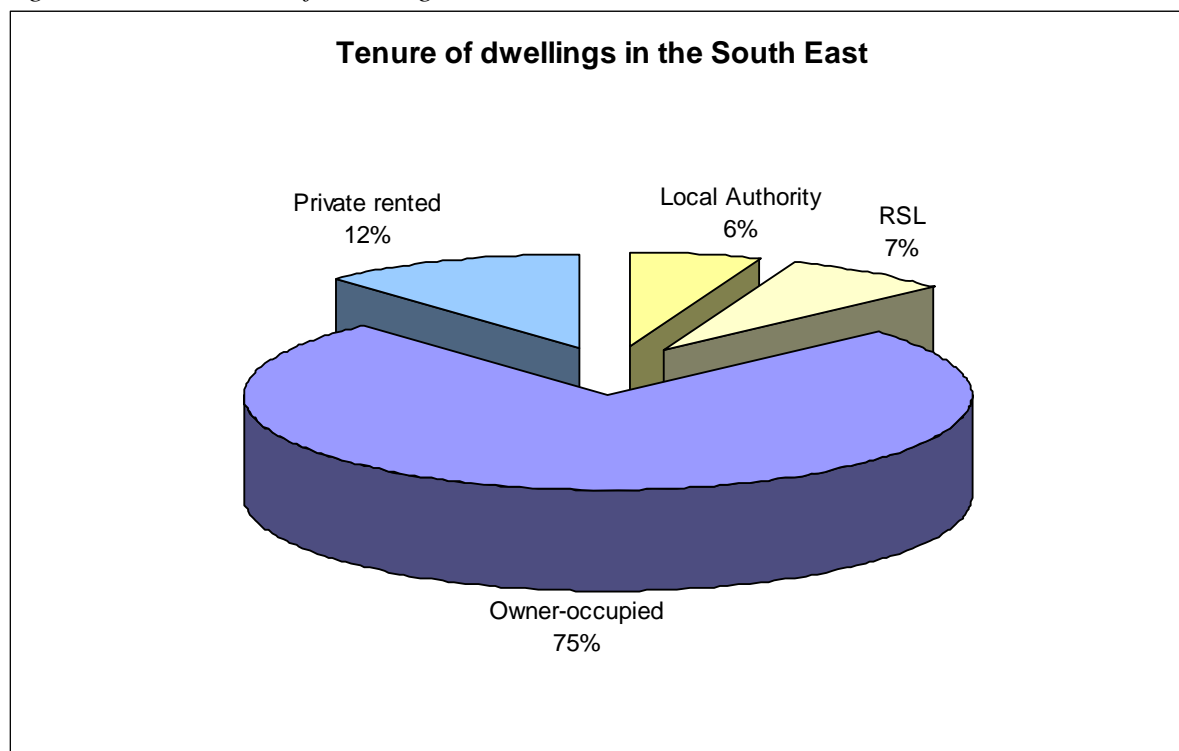
Source: Table 1.3a of Housing Statistics 2005 (DCLG)

13. This gives a total of 13.3% of the stock in the public sector (RSLs or local authorities), which is lower than in England as a whole. In England as a whole, 18.5% of the total stock is in the public sector.

<sup>4</sup> This includes accommodation rented with a job or business



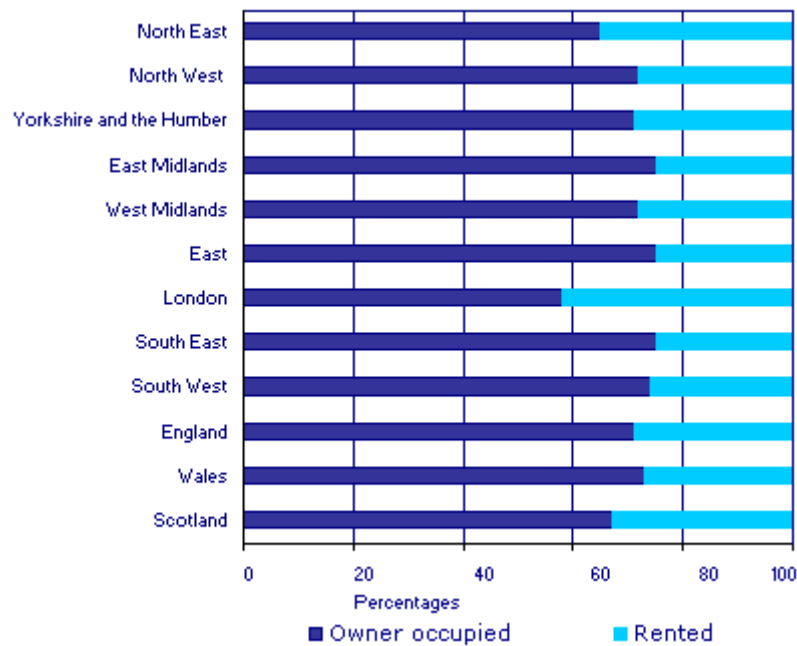
Figure 2.3: Tenure of dwellings in the South East



Source: 2001 Census

14. Shared ownership is included within owner-occupation here, but the 2001 Census found that 0.8% of households in the South East were living in shared ownership. The South East has one of the highest rates of owner-occupation in the country, meaning that there is less scope for influencing the use or condition of the stock than if it were in public hands.

Figure 2.4 Dwelling stock by region and tenure, 2003



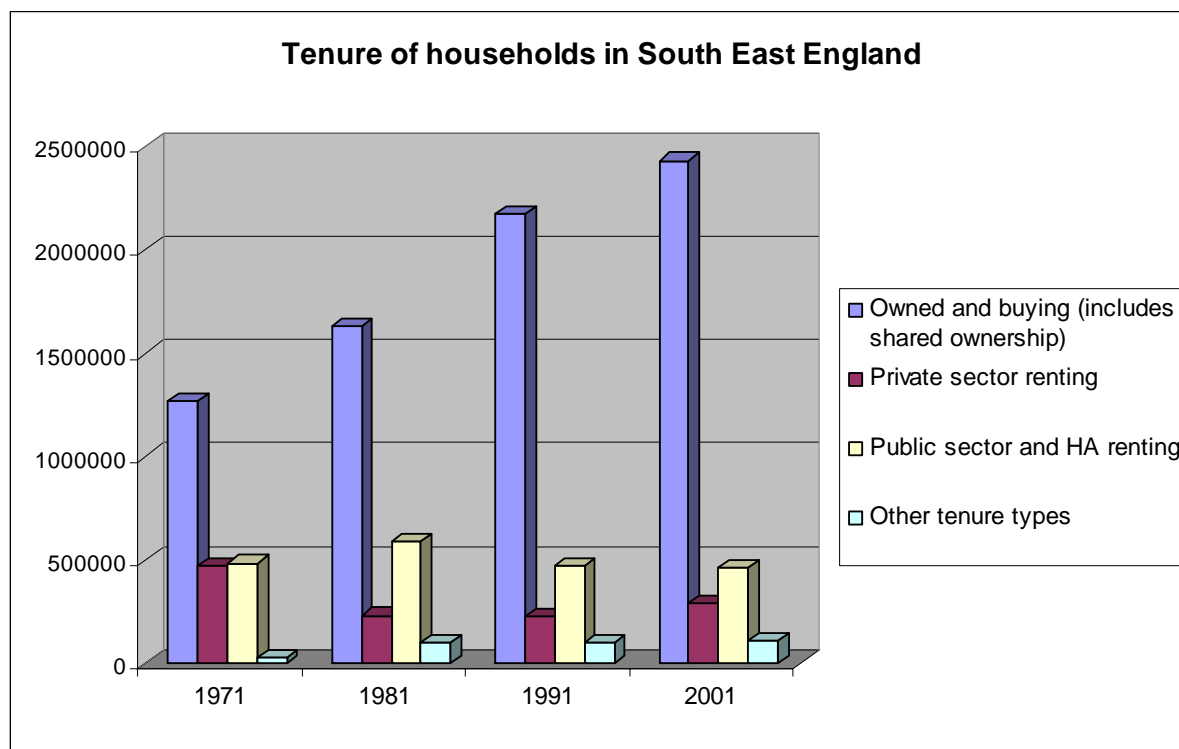
Source: National Statistics

15. Owner-occupation has increased steadily throughout the country over the last 50 years. The private rented sector declined in size between 1950 and 1980 but has reversed this trend and increased in size during the 1990s. Recent data from the Council of Mortgage Lenders suggests a dramatic influence in the number of buy-to-let mortgages approved during the last five years, with 120,300 outstanding mortgages in 2000, but 701,900 by 2005. In part, this reflects the changing profile of private landlords from one in which a few landlords owned many properties to one in which the majority own only one or two properties (Scanlon and Whitehead 2005). Evidence does, however, show that buy-to-let investors have been entering the market in increasing numbers in the past five years, increasing the size of the private rented sector (Scanlon and Whitehead 2005; CML 2004).

16. The social sector increased in size until 1980 (due to large-scale house-building) but has declined over the last 25 years, owing to the Right-to-Buy policy coupled with lower levels of investment in new building (ODPM 2005).

Figure 2.5: Trends in tenure<sup>5</sup>

<sup>5</sup> The data table supporting this chart can be found in Annex A



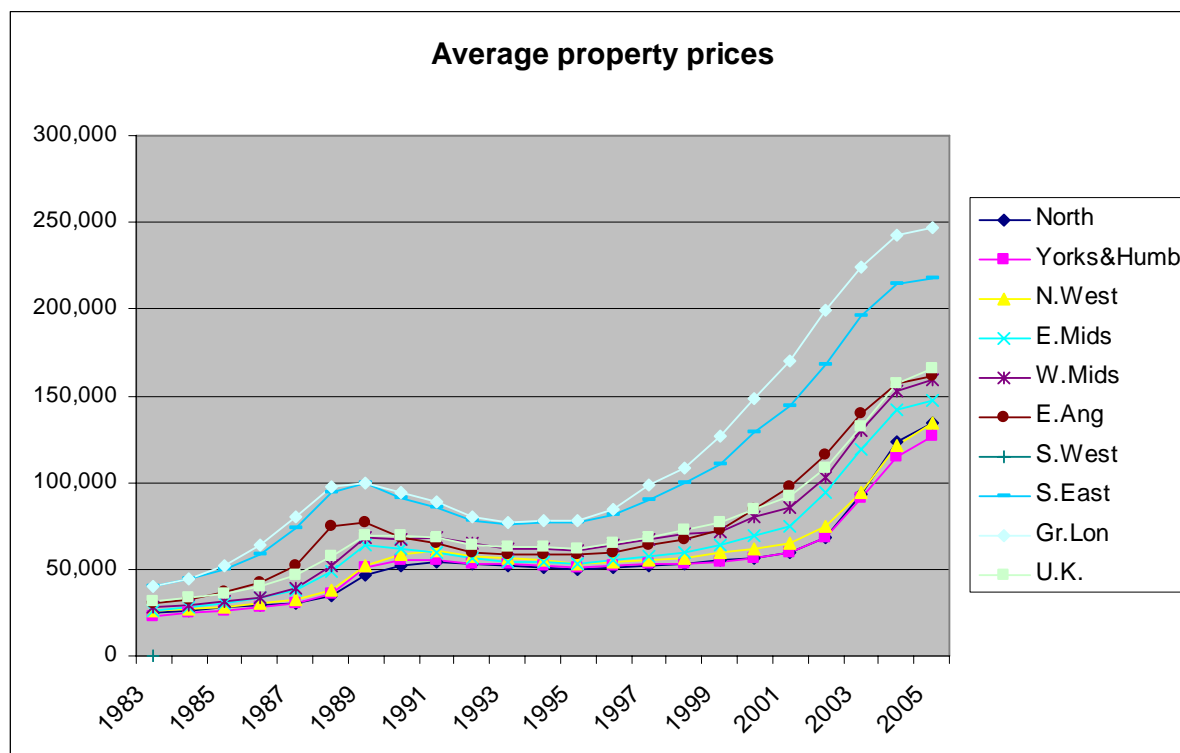
Source: Census

17. There has been some concern recently over the use of the private rented sector to accommodate priority homeless households. The most recent data, however, suggest that this is current practice in only a small number of districts within the South East. The overall number of homeless households in priority need taking up LA nominations to non-RSL dwellings and placed in other non-LA permanent accommodation in the South East rose in 2003/04 to a total of 936. In 2004/05, however, the number fell considerably to 514. This represents 0.13% of the total private rented stock in use at one point in time by priority homeless households.

18. There were, however, great fluctuations in the numbers, both between districts and from one year to another, suggesting that there may be particular local housing issues behind the figures. Shepway had the highest numbers of households in priority need taking up non-RSL dwellings and placed in non-LA permanent accommodation in 2004/05. This was 176 households, which represents approximately 2.8% of the total private rented housing stock in the district.

## 2.4 The housing market

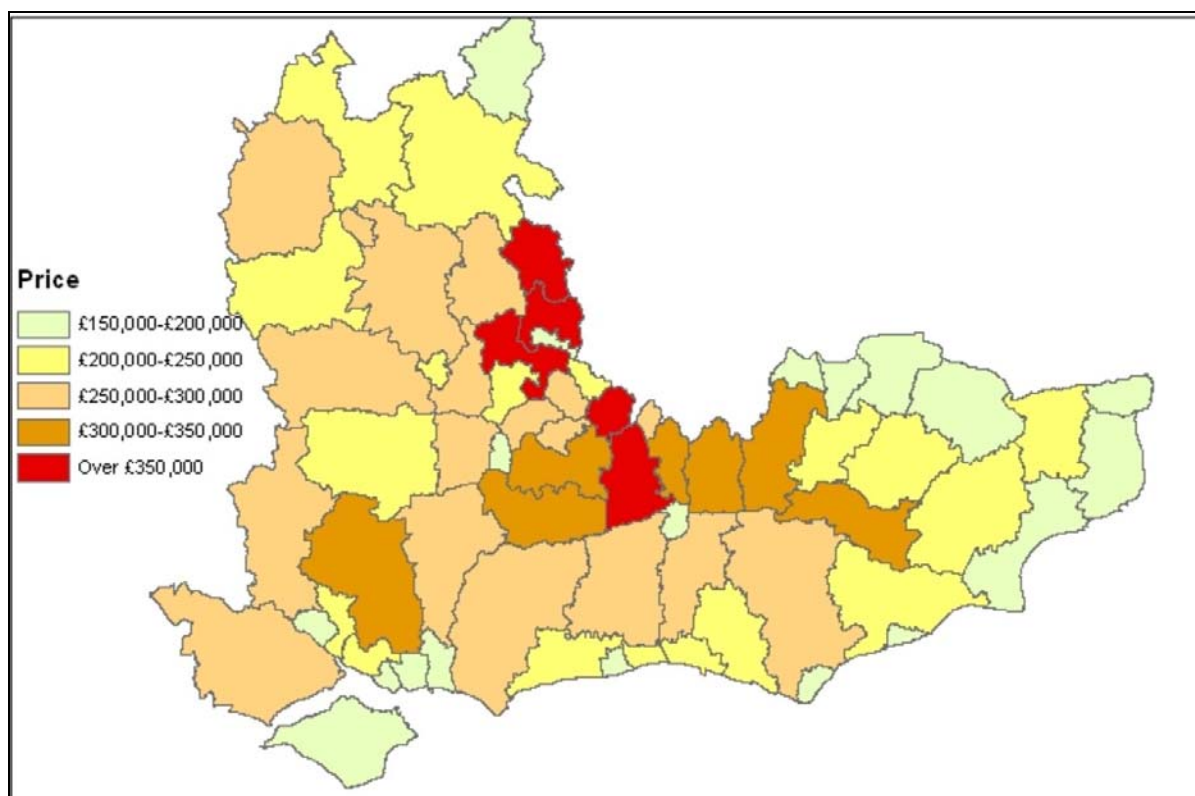
Figure 2.6: Property price trends (£)



Source: HBOS House Price Index

19. As shown in Figure 2.6, house prices have risen dramatically in recent years (above earnings), meaning that an increasing proportion of the population is unable to afford to enter owner-occupation. There is, however, substantial variation within the region in relation to property prices:

Figure 2.7: Average property prices in the South East



*Source: Land Registry data for October to December 2005*

20. The South East, along with the rest of the UK, has seen substantial property price rises over the last ten years. The rise was particularly steep during the period 2000-04, and has been followed by a period of much slower growth over the last two years.

21. At the end of 1995 the average property in the South East region sold for £80,000. By the end of 2005 it was £229,000 (Land Registry data). This represents an increase of 185%. During this same period the average earnings of full-time employees increased by less than 50%, from £18,000 to £26,900 (Labour Force Survey). This means that the ratio of property prices to average earnings increased from 4.4 to 8.5 during this period.

22. What this means is that the majority of new-forming households are unable to purchase any housing unless they have substantial savings, inheritance, or help from family members. The median amount of money borrowed fell during the period 1997-2004 from 95% of the property value to 87% (Council of Mortgage lenders). During the same period the proportion of sales to first-time buyers fell from around 50%, which it had been for the whole of the previous two decades, to 29% (Council of Mortgage lenders).

23. In addition, the culture of home-ownership causes a pressure to enter home-ownership even among those who struggle to afford it. First-time buyers have increased the amount they borrow steadily over the last 15 years, now borrowing a median of 3.2 times the household income, compared to 1.8 times in 1982 (Council of Mortgage Lenders). This has been accompanied, however, by a period of relatively low and stable interest rates, meaning that the most households with mortgages appear able to afford their housing costs, and repossession levels are currently low (Council of Mortgage Lenders).

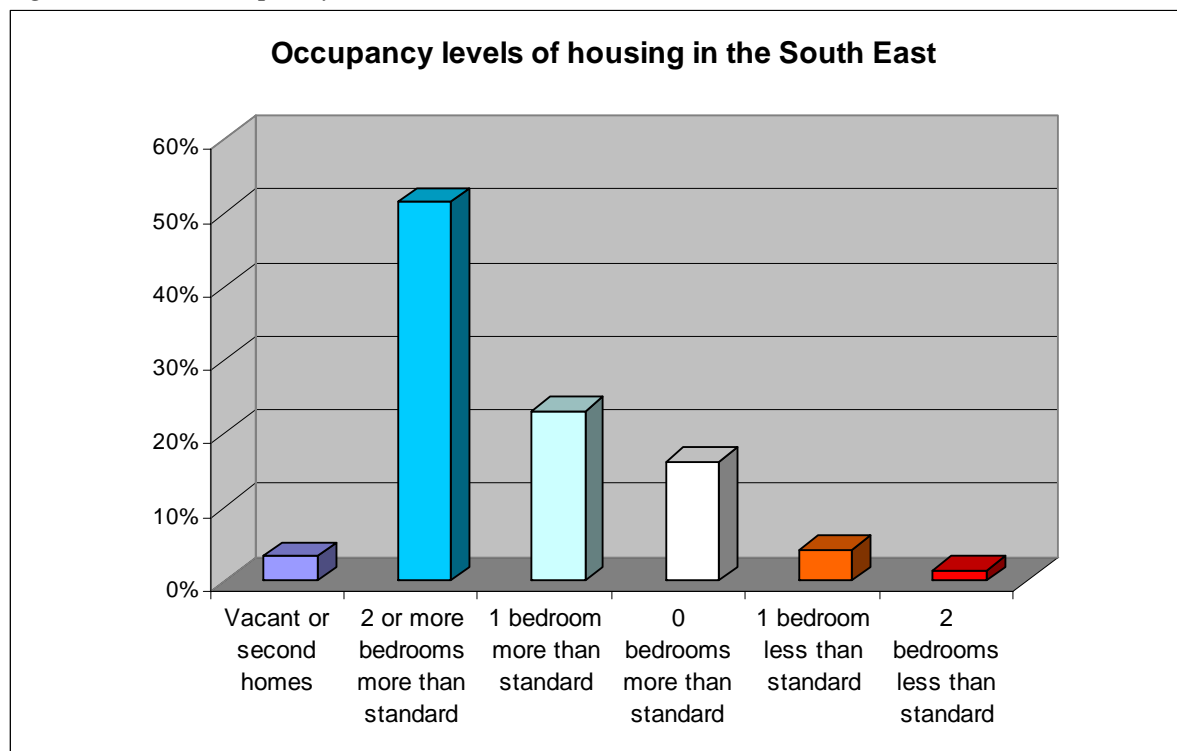
## **2.5 Occupancy: under-occupation and overcrowding**

24. There are two main approaches to looking at levels of occupancy. The simplest is to consider the number of people in the household compared with the number of rooms (excluding bathrooms and toilets). Households with more than one person per room are generally considered to be overcrowded, and those with more than 1.5 more severely so.

25. A more sophisticated approach, however, is to use the Bedroom Standard. This looks at the number of bedrooms a household has and compares it to the number it should have so that no one has to share a bedroom unless they are a couple, both under 10, or both under 21 and of the same sex. Households lacking this number of bedrooms are classed as overcrowded, and those with more as under-occupying.

26. Social housing allocation systems generally allocate housing fairly closely to the Bedroom Standard, (although social tenants may end up overcrowded if they have more children, or under-occupying as their children leave home). In the private market, however, many households choose to live in properties with one or more bedrooms more than they technically “need”. The extra rooms may be used as guest rooms, studies or bedrooms to allow same-sex or under 10-year-old siblings to have their own rooms. As can be seen from figure 2.8, there are far more under-occupying households than overcrowded ones.

Figure 2.8: Occupancy levels<sup>6</sup>



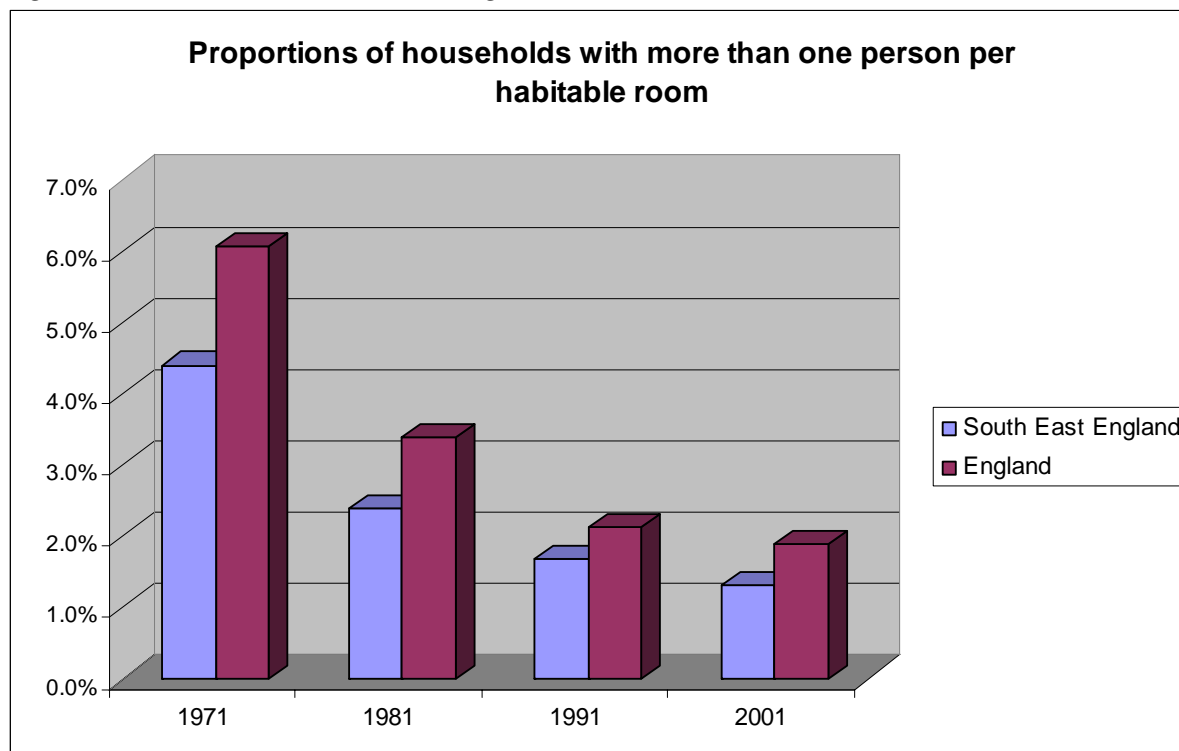
Source: 2001 Census

27. The South East is similar to the rest of the country (barring London) in terms of levels of under-occupation. Outside London (where 17.3% of households are overcrowded) the South East has the next highest level of overcrowding (5.8%), though the differences from the rest of the country are not great.

28. As Figure 2.9 (below) shows, overcrowding decreased considerably during the 1970s and 80s and has continued to decrease, though more slowly, in the 1990s. This decrease is related to the decline in the numbers of larger families, which are more likely to live in overcrowded housing.

<sup>6</sup> The data table supporting this chart can be found in Annex A

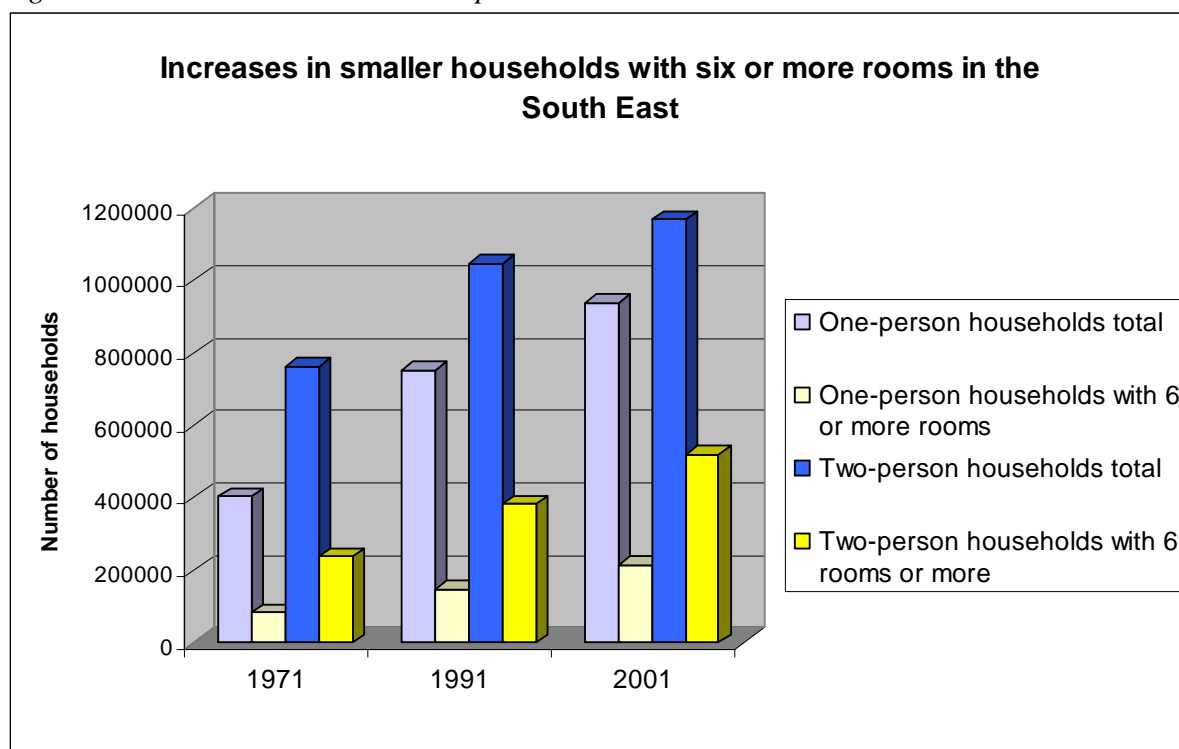
Figure 2.9: Trends in overcrowding



Source: Census

29. Annex D calculates changes to the levels of under-occupation by one- and two-person households (which the majority of under-occupiers are) over the last 30 years.

Figure 2.10: Trends in under-occupation



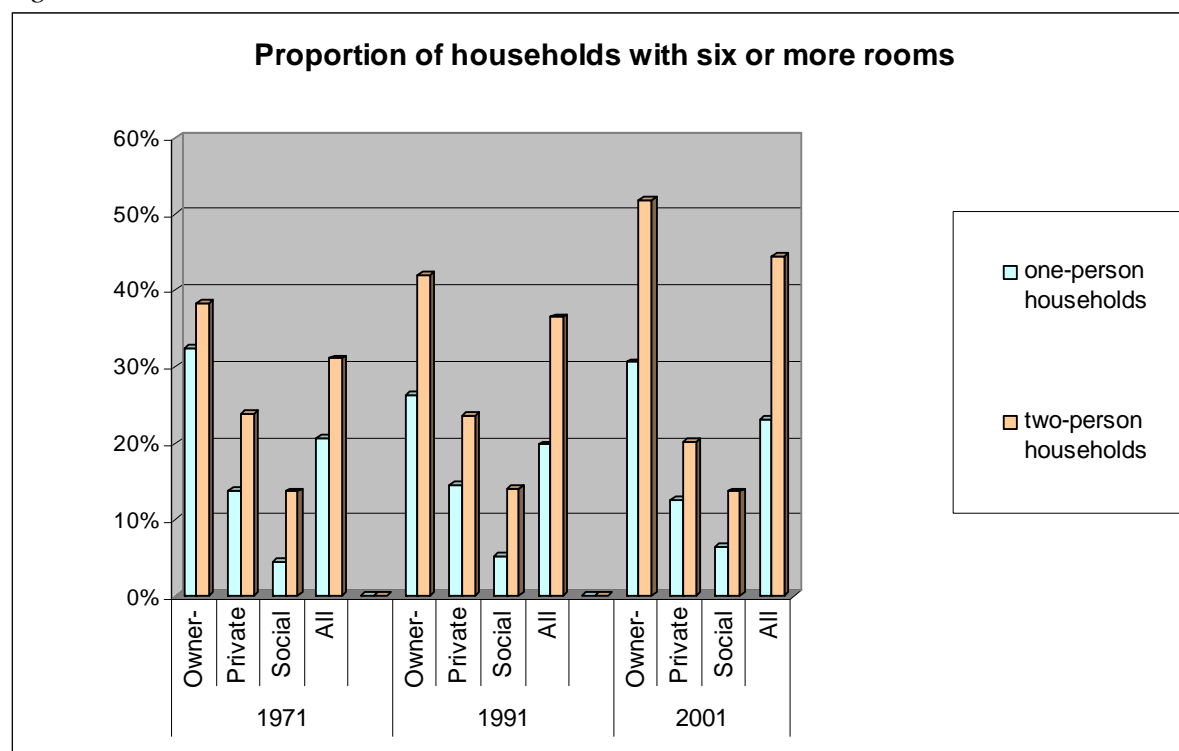
Source: Census



30. The analysis shows that the number of under-occupiers increased in absolute terms for both one-person and two-person households. However, for two-person households there was also an increase in the proportion with six or more rooms, which caused a greater increase to their absolute numbers.

31. The analysis also looked at the relationship between tenure and under-occupation:

*Figure 2.11: Trends in smaller households with six or more rooms*

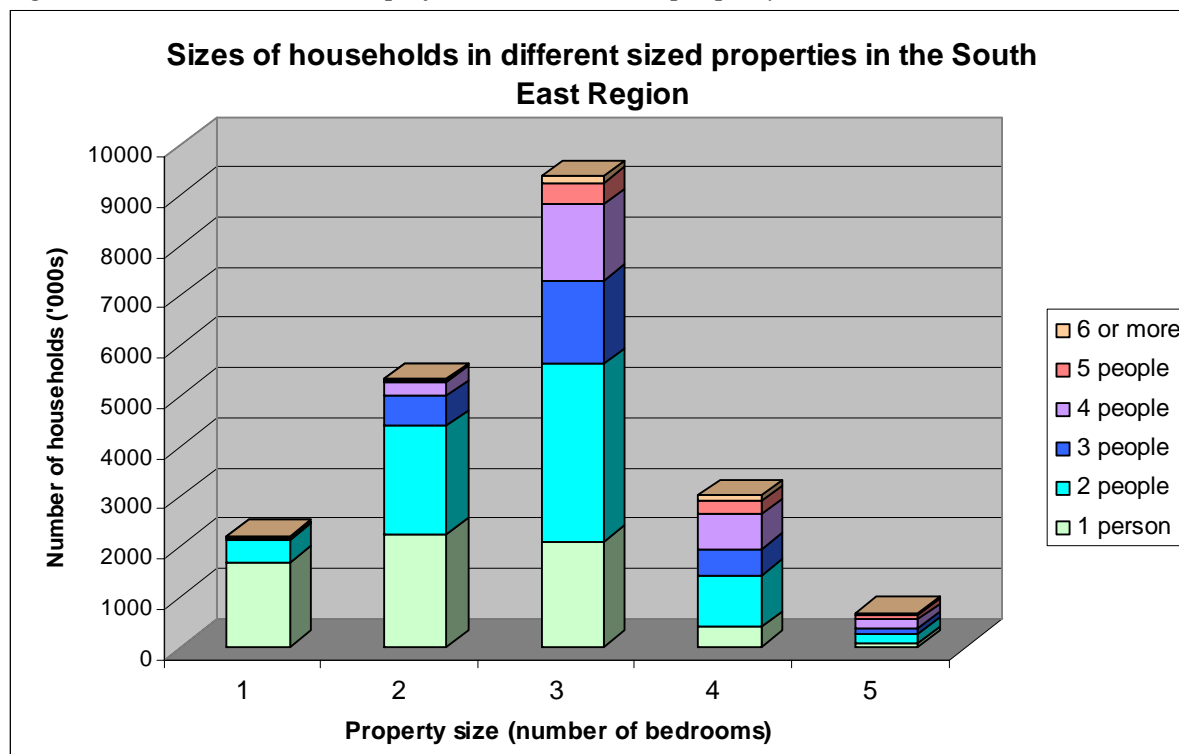


*Source: See Annex D*

32. This analysis therefore suggests that “under-occupation” is largely specific to owner-occupation. It is therefore a market phenomenon. Households that diminish in size could, if they chose, “trade down” to smaller housing, but for the most part, they remain where they are.

33. Further analysis of the SEH data can be carried out to look at the distribution of different sizes of households between different property sizes.

Figure 2.12: The relationship of household size to property size



Source: SEH 2004/5 (DCLG)

34. What this analysis shows is that there is a strong tendency for one-bedroom properties to be occupied by one-person households, but that amongst other property sizes, there is only a weak link between household size and property size. One- and two-person households occupy 60% of three-bedroom properties and 47% of four-bedroom properties.

## 2.6 Shared dwellings and communal establishments

35. The number of one-person households in the UK has increased from 3.6 million in 1971 to 5.8 million in 2001. There is a growing trend, especially among the young and single, towards living with friends, rather than relatives. However, despite rises in the number of students and a rising age of first-time buyers, Census data suggest that the proportion of households living in shared dwellings has remained constant between 1991 and 2001, at 0.39% of all households<sup>7</sup>. Shared dwellings tend to be clustered in a small number of (mostly urban) districts, especially those with universities. Oxford and Brighton and Hove have the highest levels in the South East (1.5 and 1.3% respectively), with the towns of Eastbourne, Worthing, Reading and Portsmouth also having relatively high levels. One possible explanation for this finding is that the growing number of young house-sharing singles is

<sup>7</sup> Shared dwellings are defined as dwellings of all tenures sharing a facility, such as a bathroom, with another household, but does not include groups of house-sharers who share either a living room or meals. It is not possible to look at trends in multi-adult households during this period, owing to differences in the ways such households were counted in the latest Census.

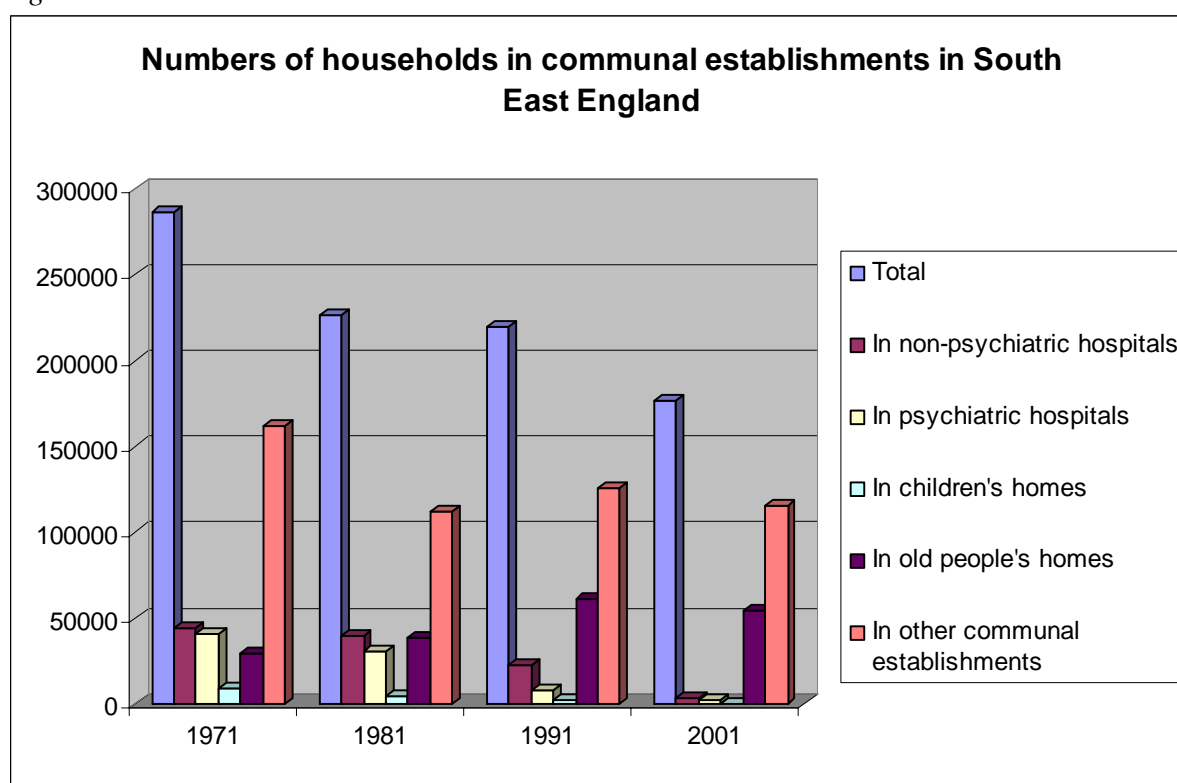
being counterbalanced by a trend away from shared facilities amongst other households (who in the past may have had access only to a shared bathroom or toilet). Many house-sharers are also classified as one multi-adult household rather than living in shared dwellings (see footnote below).

### Communal establishments

36. There has been a gradual decline in the proportion of households living in communal establishments over the past 40 years. The closure of larger psychiatric hospitals in favour of care within the community was one driver of this. The use of children's homes, non-psychiatric hospitals and other communal establishments also declined during this period, against a backdrop of an overall increase in households. The number of people in old people's homes increased during the 1970s and 80s, but fell slightly during the 1990s.

37. The decline in communal establishments has led to increasing numbers of people with support needs now living in independent housing, very often in the social rented sector.

Figure 2.13: Trends in communal establishments



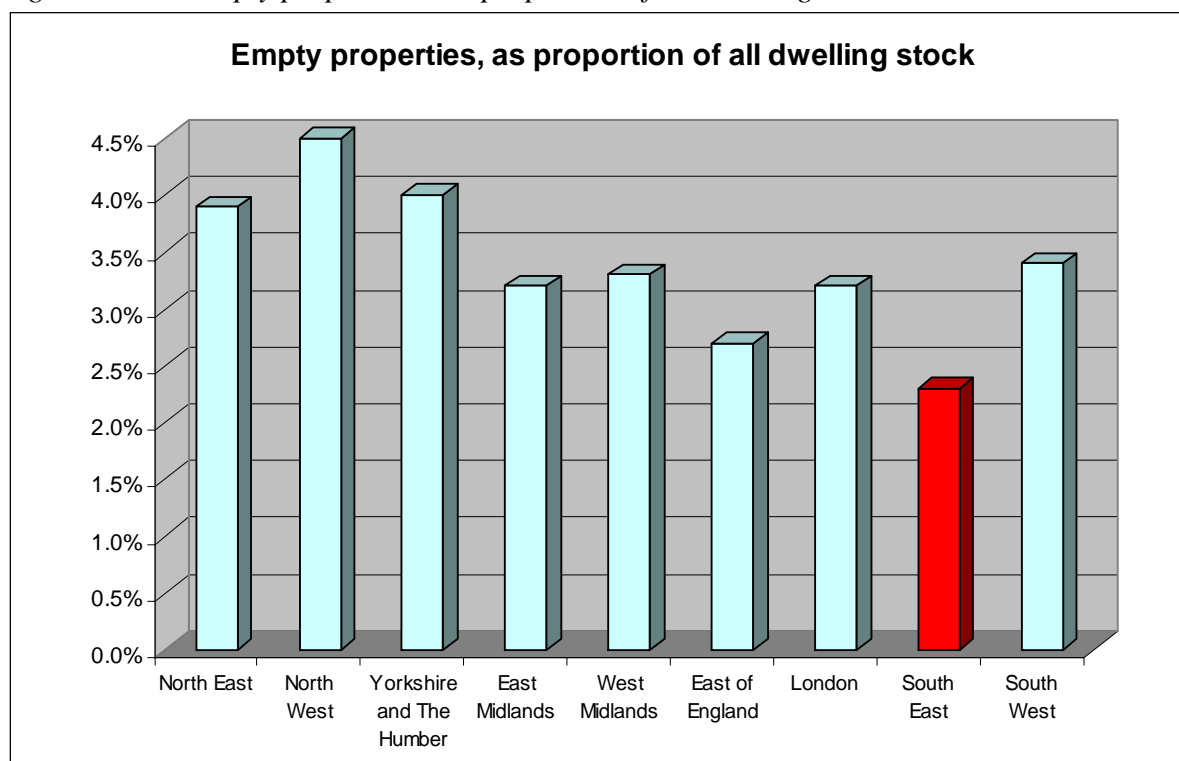
Source: Census

## 2.7 Empty properties

38. Empty properties represent a wasted housing resource. A certain level of vacant properties is necessary at any one time in order for both the housing market and the social housing system to function as households move around. A level of 2% vacant stock is generally considered a plausible level for these transitional vacancies. A higher level than this is likely to indicate that there are other reasons for the empty properties. Similarly, properties vacant for over six months tend to result from other factors.

39. The South East as a region has lower levels of empty properties than any other English region, with 2.3% of the dwelling stock classed as vacant in 2003 (Office of National Statistics).

*Figure 2.14: Empty properties as a proportion of all dwelling stock*



*Source: Office of National Statistics, April 2003*

40. Levels of empty properties have declined overall in the South East over the past 15 years. The 1991 Census found 3.9% of the stock to be vacant, whereas by 2001 this was only 2.7%, a decline of over 30%. In terms of numbers, this represents 91,300 empty dwellings. The Housing Strategy Statistical Annex (HSSA) collects data on empty properties based upon council tax records. This suggests a very similar figure of 91,200 empty properties in the South East in 2005, of which 32,600 were private-sector dwellings that had been empty more than six months, representing 1.1% of the private housing stock (HSSA 2005). Dover, Windsor and Maidenhead, Adur and Hastings all have over 2% of their total private housing stock empty for over six months.

41. Figures 2.15 and 2.16 (below) show how the number of empty properties fell between 1991 and 2001, but also show that there is still a great deal of variation throughout the region.

Figure 2.15: Empty homes 1991

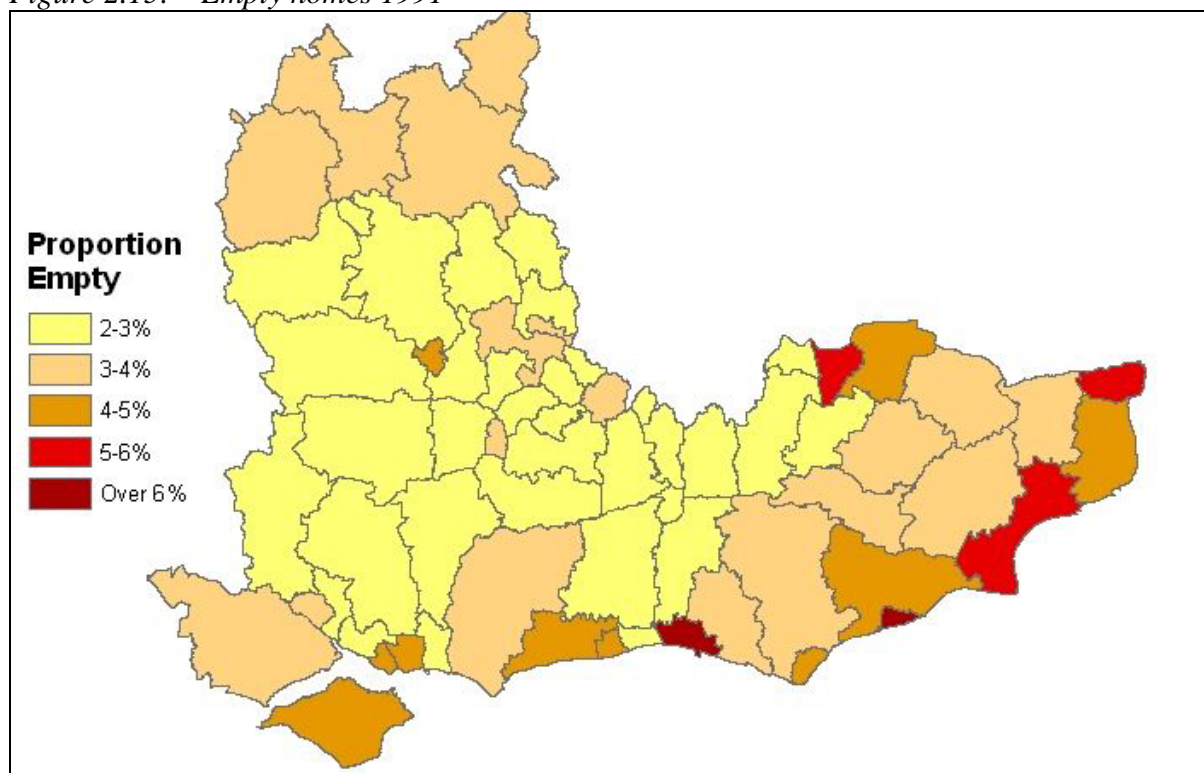
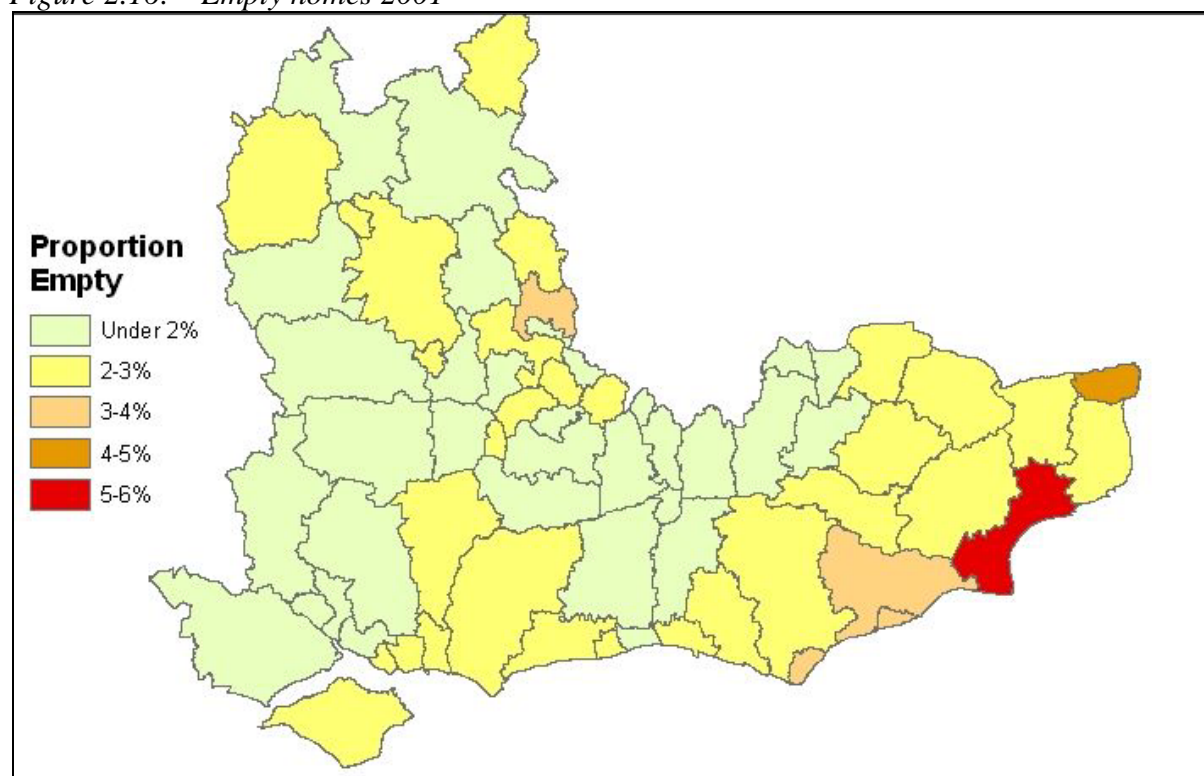
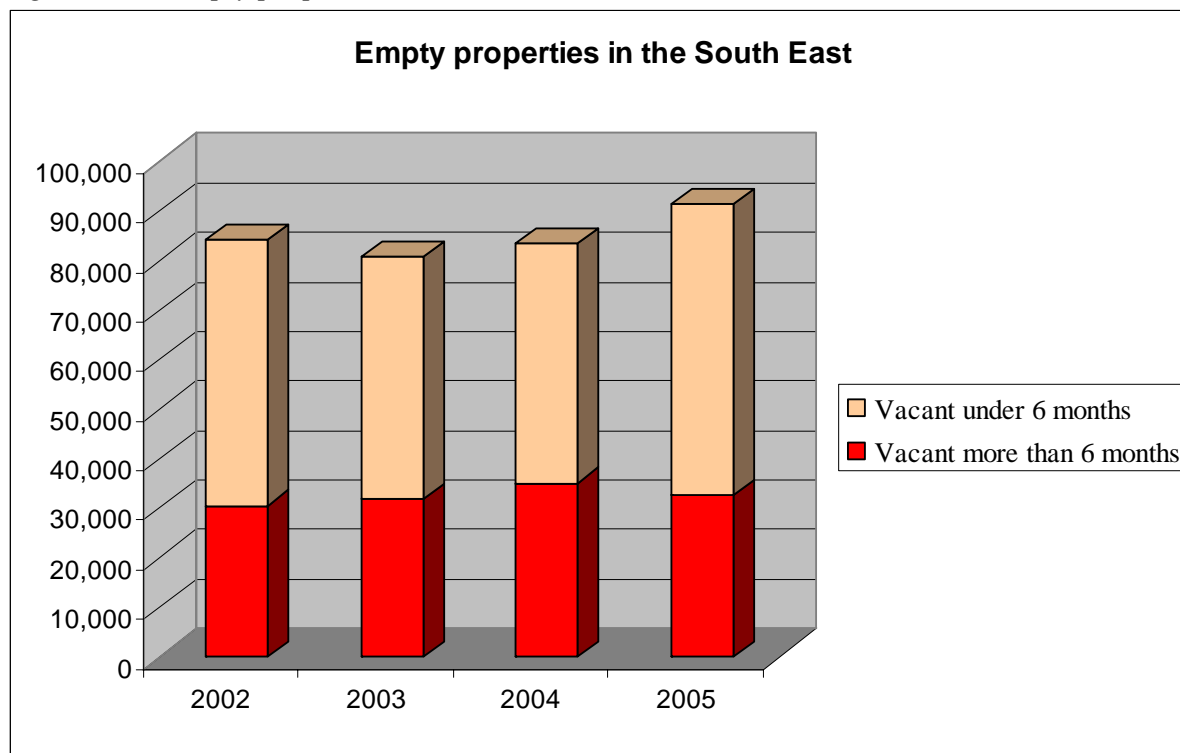


Figure 2.16: Empty homes 2001



42. More recent data, based on council tax records, suggest that around 2.5% of the housing stock in the South East is vacant, and that this has remained fairly steady over the last five years (HSSA).

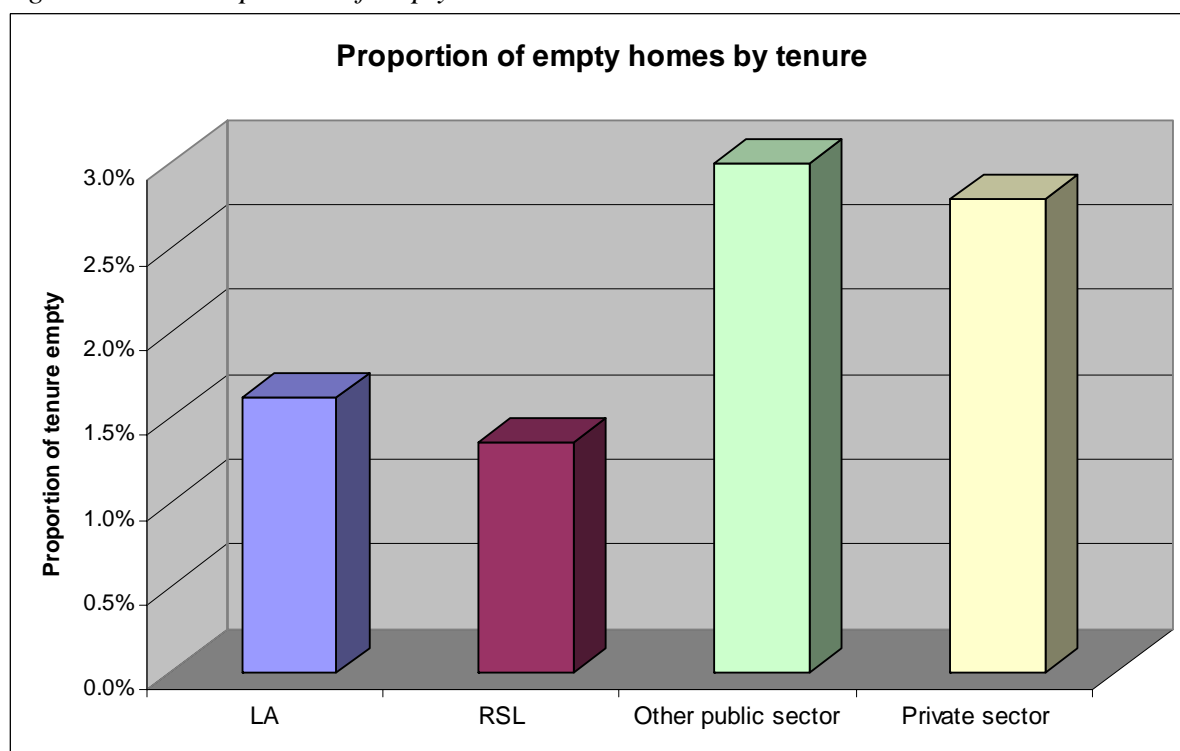
Figure 2.17: Empty properties in the South East



Source: HSSA

43. As Figure 2.18 (overleaf) shows, private-sector properties are most likely to be vacant.

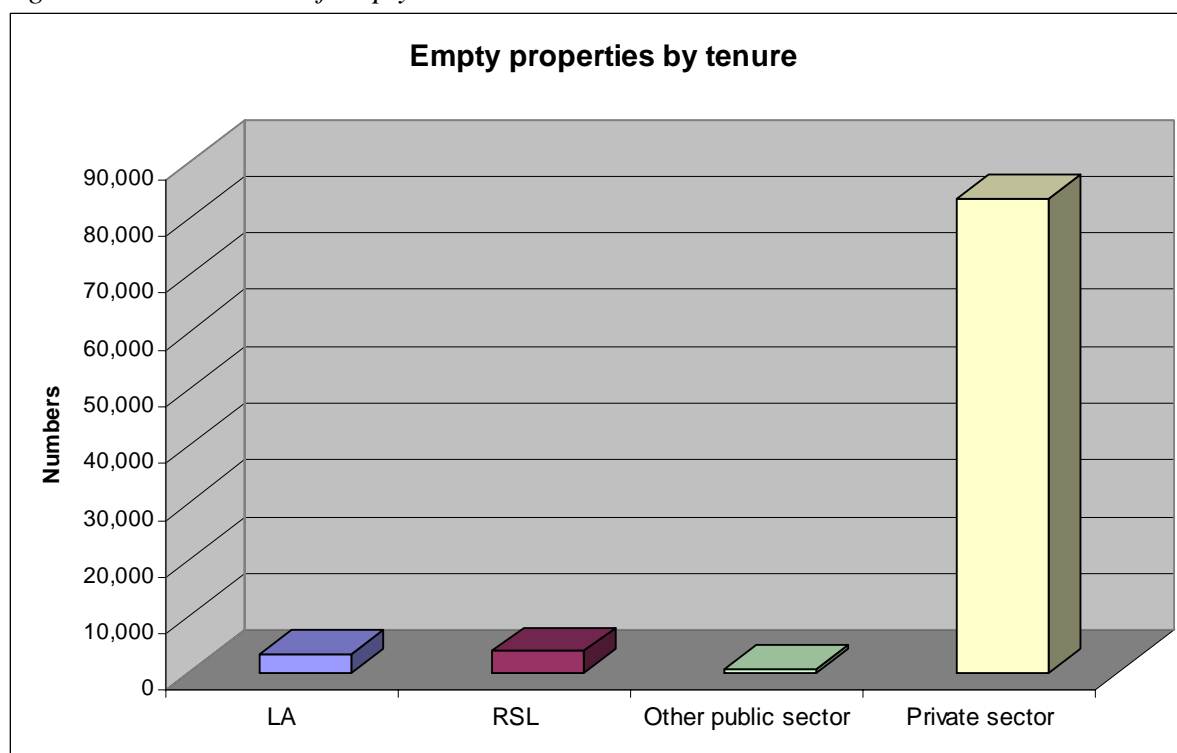
Figure 2.18: Proportion of empty homes in each tenure



Source: HSSA 2005

44. This relative propensity of private sector properties to be vacant, in conjunction with their dominance in the region as a whole, means that the vast majority of empty properties in the South East are in the private sector (Figure 2.19, below). A high proportion of “other public sector” dwellings are vacant, but these do not represent very much in absolute terms. The survey of local authorities carried out for this research confirmed that empty homes were very much seen as an issue for the private sector. No local authority in the region said that there was anything other than short-term transitional vacancies within the social sector stock. When broken down by tenure, the numbers of empty homes appeared to be nearly all in the private sector, and long-term empties almost entirely privately owned.

*Figure 2.19: Number of empty homes in each tenure*



*Source: HSSA 2005*

45. The following represent some of the reasons identified for homes to be empty in the survey carried out of empty homes strategies in the South East, and from the literature:

- A room above a shop may not be in use as housing, even though it could be. Obstacles may be that it is being used for storage, a lack of knowledge on the part of the shopkeeper and/or planning restrictions or access difficulties (ODPM 2003b; House of Commons). The Living Over the Shop project identified reluctance on the part of shop owners to act as landlords, and set up new systems whereby an RSL acted as an intermediary.
- The property may be waiting for planning consent, refurbishment or for a new resident to move in (ODPM 2003b; CIH 2004; Survey of LAs).
- The owner may be unaware of the property's existence (ODPM 2003b).
- The owner may not fully appreciate the business case for bringing their property back into use, or may lack the necessary skills/knowledge/funds needed (ODPM 2003b; House of Commons; CIH 2004; Survey of LAs)

- Abandonment, sometimes due to age or ill-health (House of Commons Select Committee 2002, CIH 2004; Survey of LAs)
- Unfit properties (House of Commons Select Committee 2002; CIH 2004; Survey of LAs)
- Antisocial neighbours (House of Commons Select Committee 2002)
- Repossession (CIH 2004)
- Unresolved ownership, delays whilst property is going through probate or if the owner died intestate (CIH 2004; Survey of LAs)
- Properties owned by developers or statutory bodies, and empty because they cannot currently be used for their original purpose (Survey of LAs)

46. The ODPM report (2003c) identifies a range of negative effects of empty homes, other than the waste of the housing resource they represent. These other effects include reduced market values of neighbouring properties, reduced demand on local businesses and services and increased dereliction. These other effects tend to be worse when many properties are empty within the same location.

47. Many districts in the South East had seen reduced levels of empty properties in recent years. These were often attributed to the rising property market, making it economically viable to refurbish and let or sell properties where it might not previously have been so.

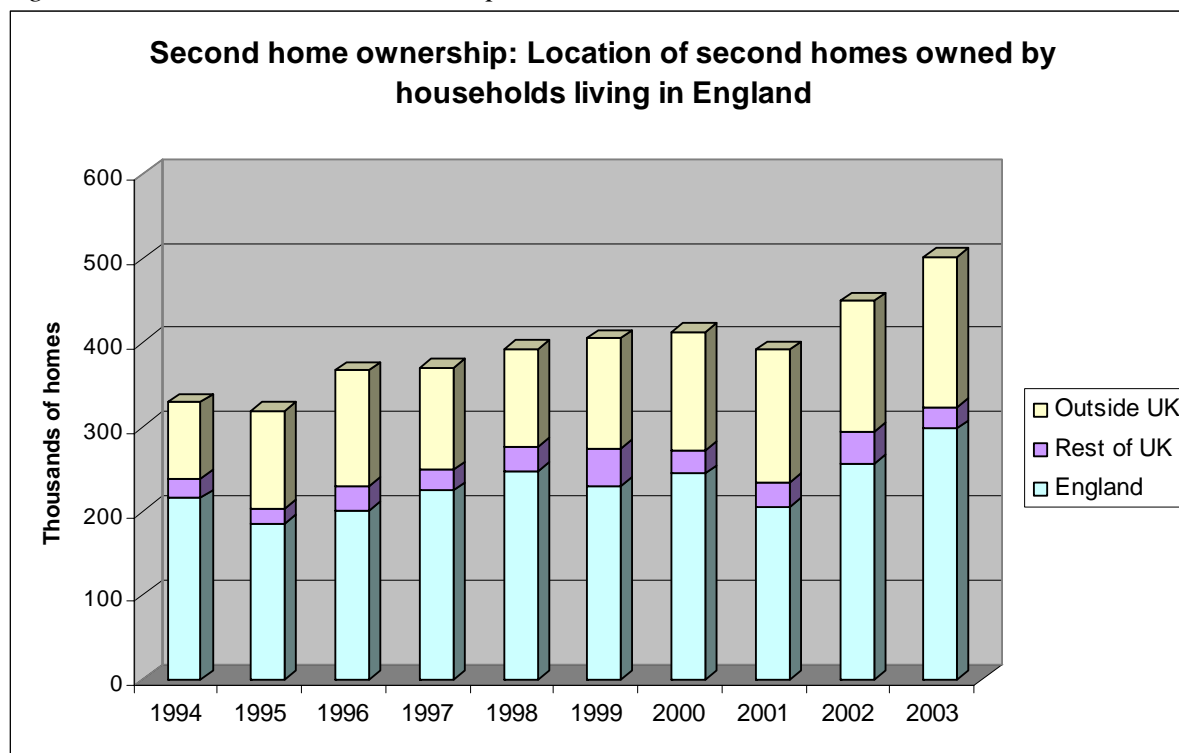
48. The survey of local authorities found that the major reason often seen in other parts of the country for high levels of empty properties (that is, low demand and failing markets) was not commonly identified as a major factor in the South East. Even some areas with relatively high levels of empty properties by South East standards (such as Adur) said that they “historically were not a major issue....There are no areas where the housing in general is sub-standard”. The main issue throughout is not that the empty properties cause any severe difficulties (such as are associated with market collapse in some parts of the North of England), but instead that they represent a loss of potential housing that could help to meet some of the excess demand for housing. The one exception to this within the South East seems to be Shepway, where the issue of empty homes, and more generally of properties in poor repair, is felt to be a crucial local issue due to the environmental blight they represent, as well as the loss of housing stock.



## 2.8 Second homes

49. Second-home ownership has been slowly increasing across the UK in recent years.<sup>8</sup>

Figure 2.20: Second home ownership

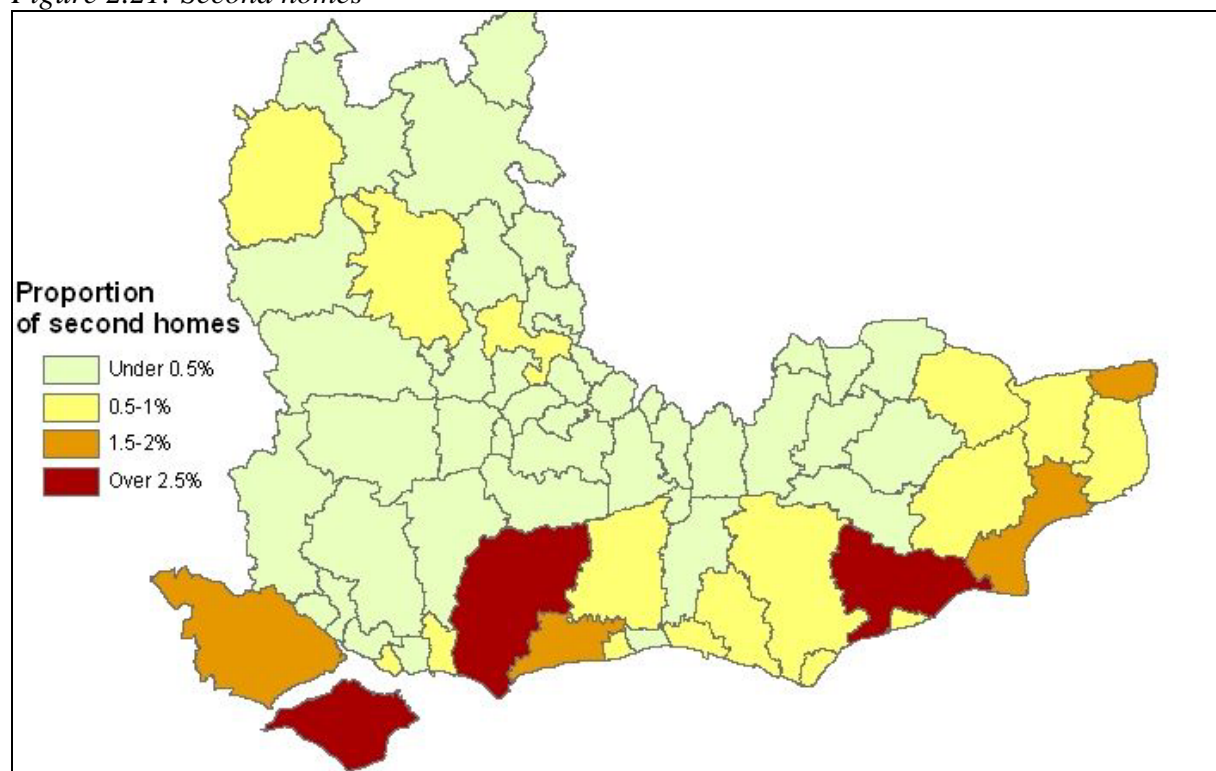


Source: SEH

50. It is not possible to look at trend data for the South East region specifically as the SEH does not have a sufficient sample size to allow this level of analysis, but it seems likely that the national trend would be reflected in the region. The Census suggests that the proportion of housing that is a second home remained as approximately 0.7% of the total stock in the South East between 1991 and 2001, which represented around 23,000 dwellings in 2001. Census data also show the spatial variation in the levels of second-home ownership across the South East.

<sup>8</sup> “Second homes” is used in this report to refer to a home (such as a holiday home) not in use as a primary residence of any household. In other words, it does not include “buy-to-let” properties.

Figure 2.21: Second homes



51. It is clear from this map that second-home ownership is a fairly small component of the overall housing stock, but can have a larger impact in specific locations. There is also evidence suggesting that second-home ownership tends to be highly concentrated in specific locations, such as attractive villages.

52. In the South East, “Being within a two-hour commute from London is still a defining radius for many London second homebuyers” (CML 2001), especially if there are good transport links. The whole of the south coast has also been identified as a popular location for second homes (Countryside Agency 2002). This can be seen in the above map.

53. In the 1980s there was a boom in the sales of bargain tumbledown cottages, etc, that could be renovated, but this market is now exhausted. Second homes are becoming more upmarket (CML 2001). Second-home owners today are more likely to buy second homes in property hotspots, because they are very desirable locations.

### Second-home owners – who are they?

54. The Council of Mortgage Lenders’ analysis of DETR data on second-home owners in 2001 showed that second-home owners were more likely to be:

- Over 45 (67%)
- Couples without children (55%)
- Rich, with mean incomes well above average
- Pre-retirement, often looking to buy a home they would live in when they retired
- Cash purchasers (57%)

55. Evidence also suggests increasing numbers are younger couples who each owned a home when they got together; they keep both and may rent one out, or may leave one unoccupied as a second home (CML 2001).

56. Most who purchase for investment reasons look to rent out their property either as a holiday house or as a long-term rent (CML 2001). This is not usually the main objective of those buying second homes, most of whom want it for use a holiday home.

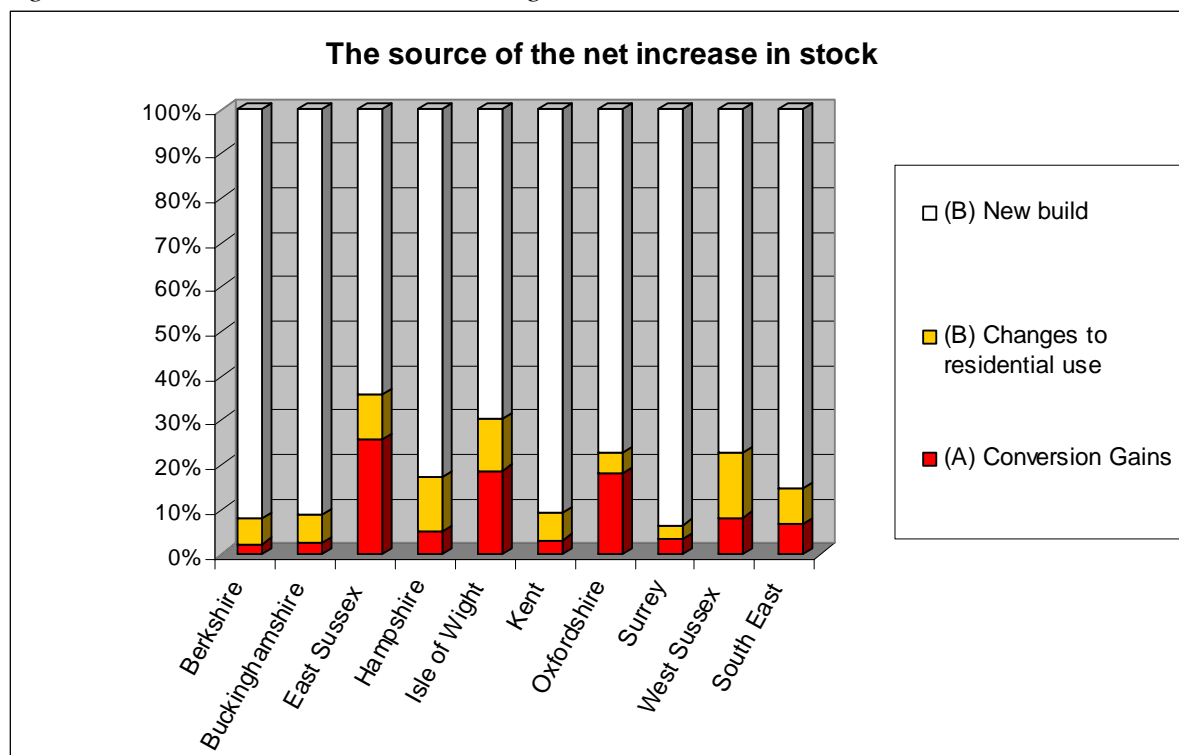
## 2.8 Conversions and extensions to the existing stock

### Changes in the number of dwellings

57. The number of independent dwellings contained within the existing housing stock is not fixed: flats, terraced housing or even semi-detached properties can be knocked together to form fewer larger properties, or (more commonly) larger houses can be subdivided to become two or more flats or maisonettes. In addition, some of the existing housing stock can be lost through demolition for housing or other development.

58. Analysis carried out in Annex E shows that 4,725 dwellings, or 15% of the total net increase in the dwelling stock in the region in 2004/05, can be attributed to increases resulting from changes of use and conversion gains, as opposed to new build. Figure 2.22 shows how this proportion varies between counties.

Figure 2.22: Net increase in the housing stock in the South East 2004/05



Source: See Annex E, calculated from data from the South East England Regional Assembly

59. This new information makes clear the importance of conversions of houses into flats and converting non-residential buildings for use as residences in the South East.

60. One year's figures might not be entirely representative, however, and this is an area that merits further attention. In addition, little is known about what kind of dwellings are provided in these ways, and who buys or rents them. This would be very important

information for assessing how much of future housing demand might be met from this source.

### **Changes to the size of the stock**

61. Analysis carried out in Annex F shows that a considerable proportion of the larger houses in the South East started out as smaller ones and have been converted. Since 1993/94, only about one half of the net increase in the stock of privately owned four-bedroom dwellings in the South East and East of England can be accounted for by new construction, suggesting that conversions and extensions were responsible for the remaining increase. Between 1977/78 and 1993/94 and 1994/95, only about two fifths of the net increase in households with four bedrooms or more appears to have come from new construction.

62. When losses to the stock (through demolitions) are also accounted for, the analysis suggests that, in round terms, about one half of the net increase in the number of larger houses in the South East appears to have come from within the housing stock, and the remaining half from new building. The merging of two or more smaller dwellings into one was not the main source of larger dwellings within the existing stock. Instead, the main source from within the existing stock appears to have come from extensions or adaptations to existing properties. This means that the existing housing stock is to some extent capable of meeting aspirations for larger properties through extensions to existing housing, though this will be at the expense of the supply of smaller dwellings, which can cause problems of affordability for first-time buyers in some rural areas where most of the housing stock is already large<sup>9</sup>.

## **2.9 Stock condition**

63. There are several different ways in which the condition of the stock can be measured:

- *Unfit stock*: The Housing Strategy Statistical Annex collects data on stock that is classified as unfit (see Annex J: Terms and definitions). This is housing failing to meet very basic standards of fitness and facilities (such as having a toilet and bath or shower).
- *Lacking basic amenities*: There is also information collected in the Census about households lacking basic amenities. This is similar but also includes the lack of central heating.
- *The Decent Homes Standard*: A higher level of housing standards is measured by the Decent Homes Standard.

Unfit stock sets the most basic standards for housing, and hence measures the numbers of the poorest quality homes; households lacking basic amenities measures against a higher benchmark and includes households without central heating, whilst the decent homes standard sets the highest standard for stock condition.

### **Unfit stock**

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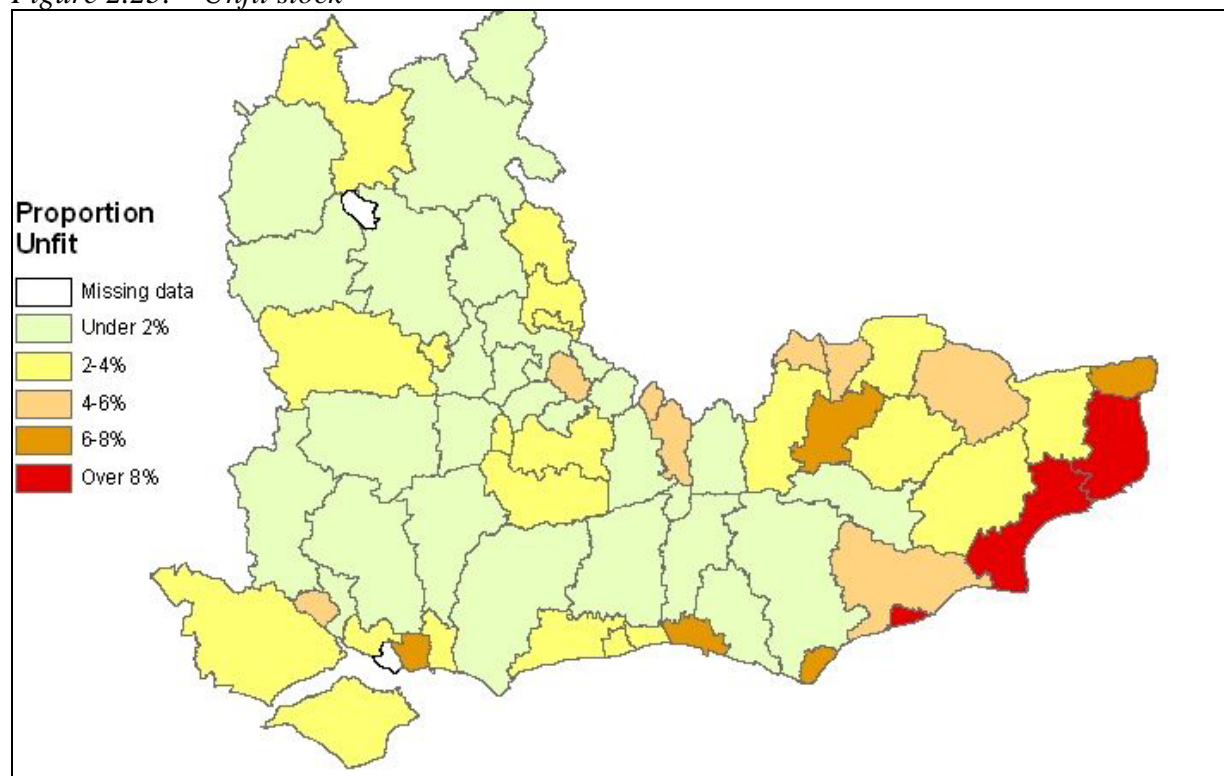
<sup>9</sup> Analysis of 2001 Census data shows that there is a relative shortage of what would be expected to be smaller properties (flats and maisonettes) in rural areas.

A dwelling is deemed unfit if it fails to meet one or more of the following fitness criteria:

- is structurally stable
- is free from serious disrepair
- is free from dampness prejudicial to the health of the occupants
- has adequate lighting heating and ventilation
- has an adequate supply of wholesome water
- has satisfactory facilities for the preparation and cooking of food, including a sink with a satisfactory supply of hot and cold water
- has a suitably located toilet for the occupants' exclusive use
- has a suitably located fixed bath or shower and hand wash basin each of which is provided with a satisfactory supply of hot and cold water for the exclusive use of the occupants
- has an effective system for draining foul water/surface water

64. Overall, 3.4% of the housing stock in the South East is classed as unfit (HSSA 2005), which is somewhat lower than the 4.7% in England as a whole. This varies quite substantially between districts, with the Kent coast being most affected.

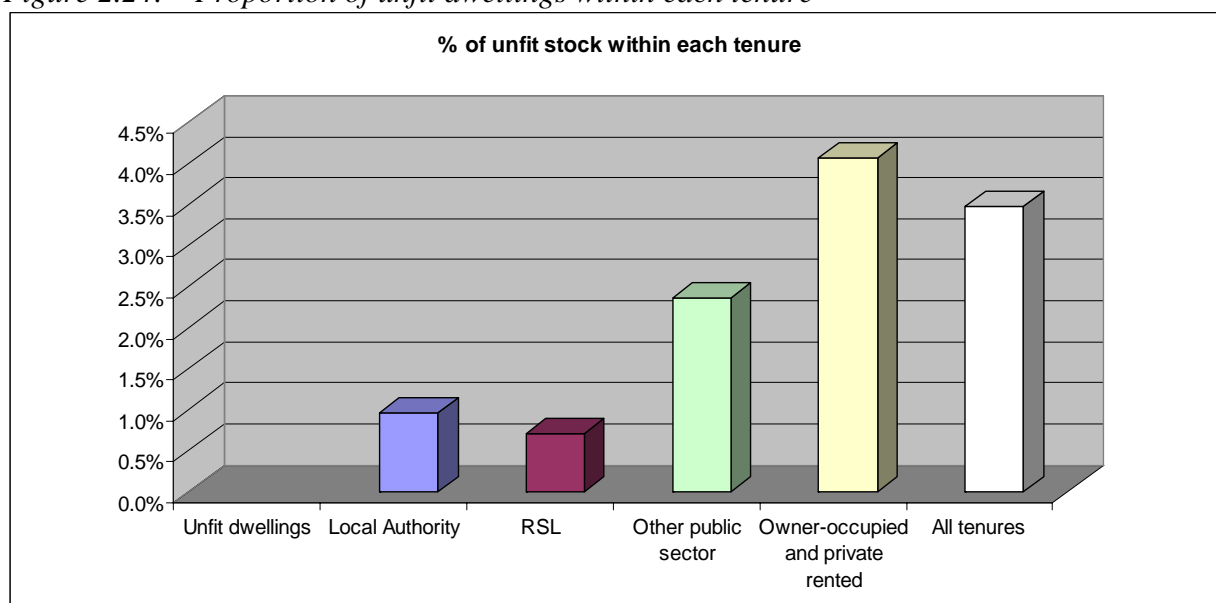
*Figure 2.23: Unfit stock*



*Source HSSA 2005*

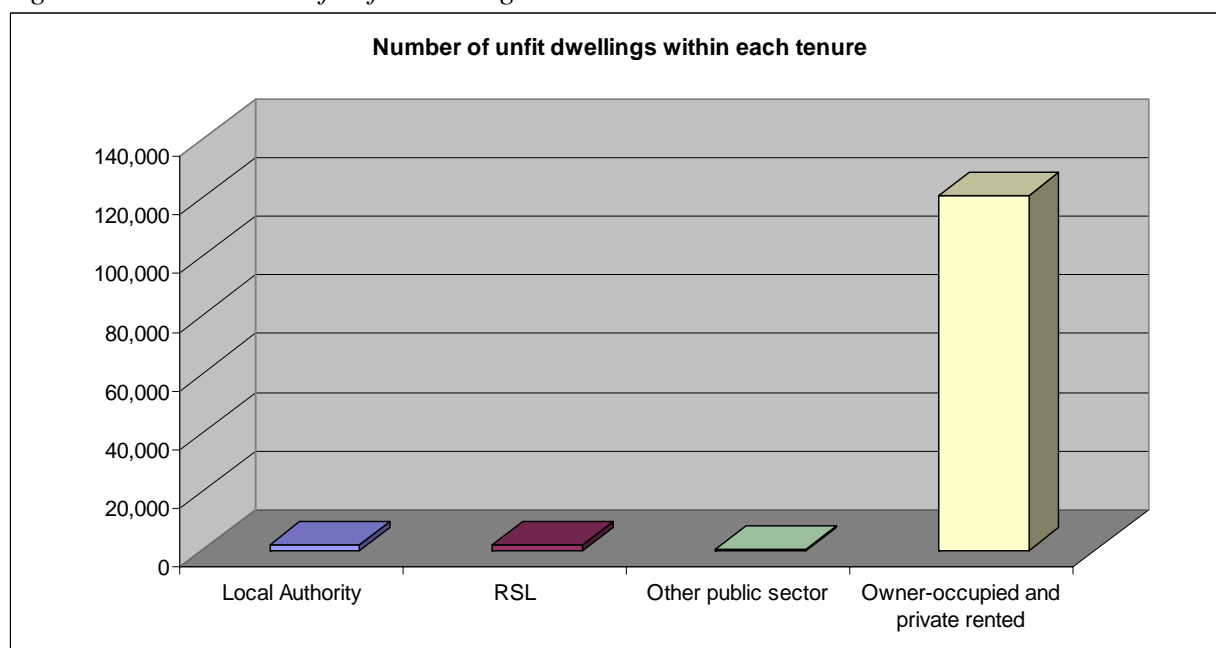
65. Unfit dwellings in the South East are almost all within the private sector.

Figure 2.24: Proportion of unfit dwellings within each tenure



Source: HSSA 2005

Figure 2.25: Number of unfit dwellings within each tenure



Source: HSSA 2005

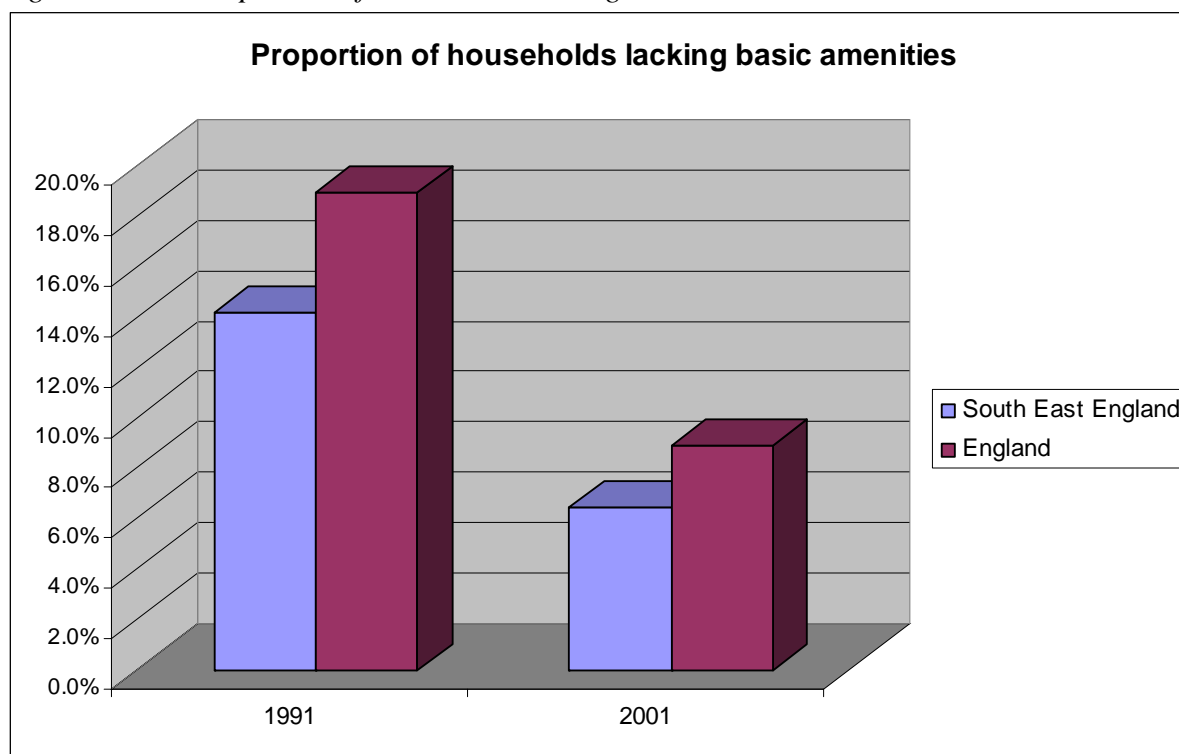
### Households lacking basic amenities

Houses with basic amenities must have all of:

- a toilet
- bath or shower
- central heating

66. As Figure 2.26 (below) shows, the number of households lacking basic amenities (including central heating) is lower in the South East than in England as a whole, and fell during the 1990s but still included 212,000 households (6.4%) in 2001.

Figure 2.26: *Proportion of households lacking basic amenities*<sup>10</sup>



Source: Census

### The Decent Homes Standard

For homes to be defined as decent:

- *They must meet the current statutory minimum standard for housing.* The currently fitness standard is defined under the 2004 Housing Act.
- *They must be in a reasonable state of repair.* This is linked to the condition and age of a range of building components, including the walls, roofs, windows, doors, chimneys, electrics and heating systems.
- *They must have facilities and services which can be described as being reasonably modern.* This is linked to the age, size, layout/location of the kitchen, bathroom and WC and any common areas for blocks of flats, and to noise insulation.
- *They must provide a reasonable degree of thermal comfort.* This is related to insulation and heating efficiency.

67. In England as a whole, homes in urban areas are more likely to be non-decent. Research recently carried out by the University of Birmingham into the housing conditions in the private sector (Groves, Sankey and Tice, 2006) found that non-decent private-sector dwellings in the South East were concentrated in notable “hotspots” such as Brighton and

<sup>10</sup> This includes households who lack or share one or more basic amenity, including central heating. Central heating was not included in this measure prior to 1991, which is why this analysis cannot be taken back further.

Hove, Portsmouth and Southampton. There are, however, also problems in rural districts, especially in southern and eastern parts of the region.

68. In 2003, 29% of the private-sector stock failed the Decent Homes Standard. 79% of those that fail do so on grounds of thermal comfort (61% fail solely on these grounds) (ibid). Most of the rest fail on grounds of repair. This is just slightly lower than the average for England (30%). The EHCS 2003 annual report notes that urban areas generally have higher rates of non-decent homes, but the University of Birmingham study found that this link did not hold for private-sector homes in the South East, where 30% of properties in rural locations were non-decent (compared with a national average of 21%).

69. The University of Birmingham study also confirmed that rented homes are more likely to be non-decent than owner-occupied dwellings. In addition it found that 36.4% of vulnerable households live in non-decent homes within the private sector<sup>11</sup>. Vulnerable households were more likely to experience both fuel poverty and problems of poor housing conditions. The report found that the South East had a housing stock of higher than average quality, but made a number of recommendations for improving the housing conditions in the private sector.

70. Within the social sector, the number of homes failing the Decent Homes Standard fell nationally by 370,000, from 7.1 to 6.7 million (i.e. from 33% to 31% of the stock), between 2001 and 2003. The EHCS (2003) went on to show that the conditions in the social sector had improved at a faster rate than in the private sector (particularly since 2001) and that the 10% gap that had existed between the two sectors in 1996 had been reduced to 5% by 2003.

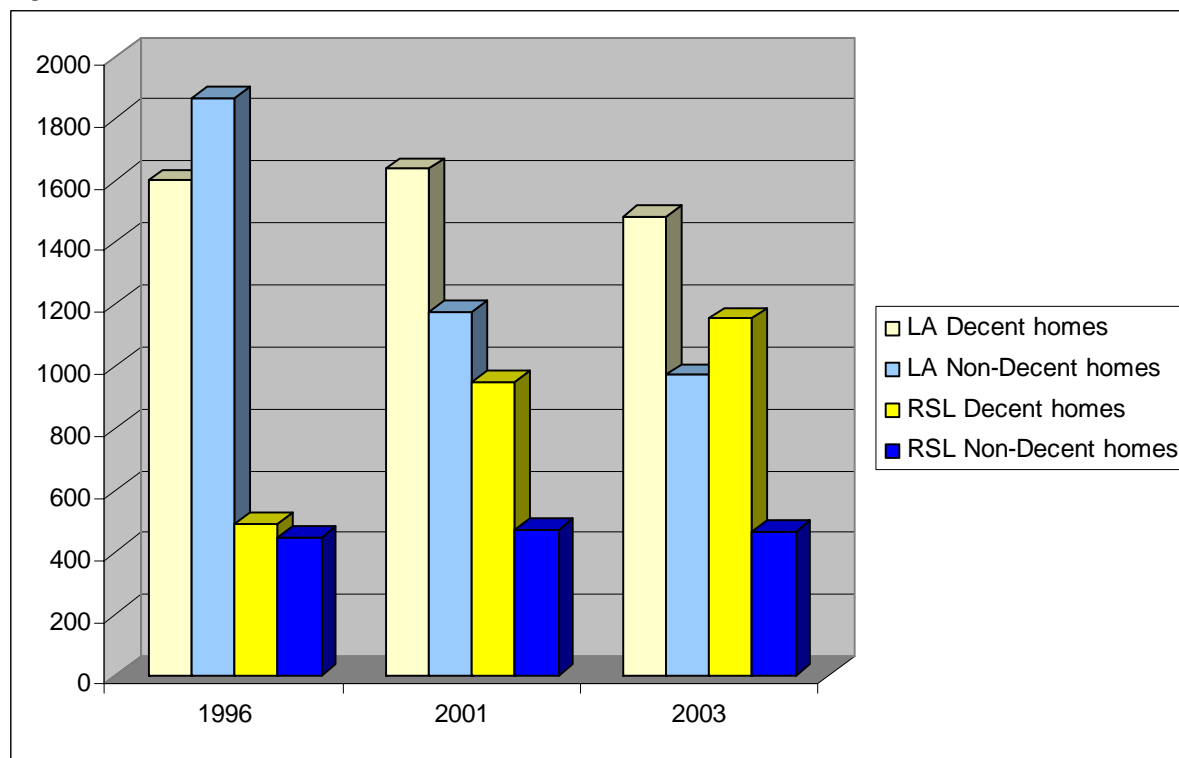
71. Figure 2.27 shows the changing numbers of non-decent homes in the social housing sector from 1996 to 2003.

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<sup>11</sup> Vulnerable households are classified in the EHCS as those in receipt of means-tested or disability-related benefits.



Figure 2.27: Trends in social sector decent homes (thousands)



Source: English House Condition Survey 2003

72. In considering “Deprived Districts”, the EHCS (2003) noted that the number of non-decent social sector homes in the 88 local authorities supported by the Neighbourhood Renewal Fund had fallen by 38% (from 1.4 to 0.8 million) since 1996. It also showed that progress in the most deprived districts targeted accounted for around two thirds of the overall reduction in social sector non-decent homes since 2001<sup>12</sup>. This suggests that such programmes can have a significant impact on reducing levels of non-decent housing.

## 2.10 Resource efficiency

73. The issues surrounding resource efficiency and the existing housing stock relate to three areas:

- The condition of the houses and their energy and water efficiency
- The behaviour of residents within the housing stock
- The wider environment in which the housing is located and its environmental structure.

74. This section focuses on the first point but it is very difficult to separate out the three areas entirely, and point (ii) is often intertwined with discussions on point (i). This section covers three areas: energy; water; waste.

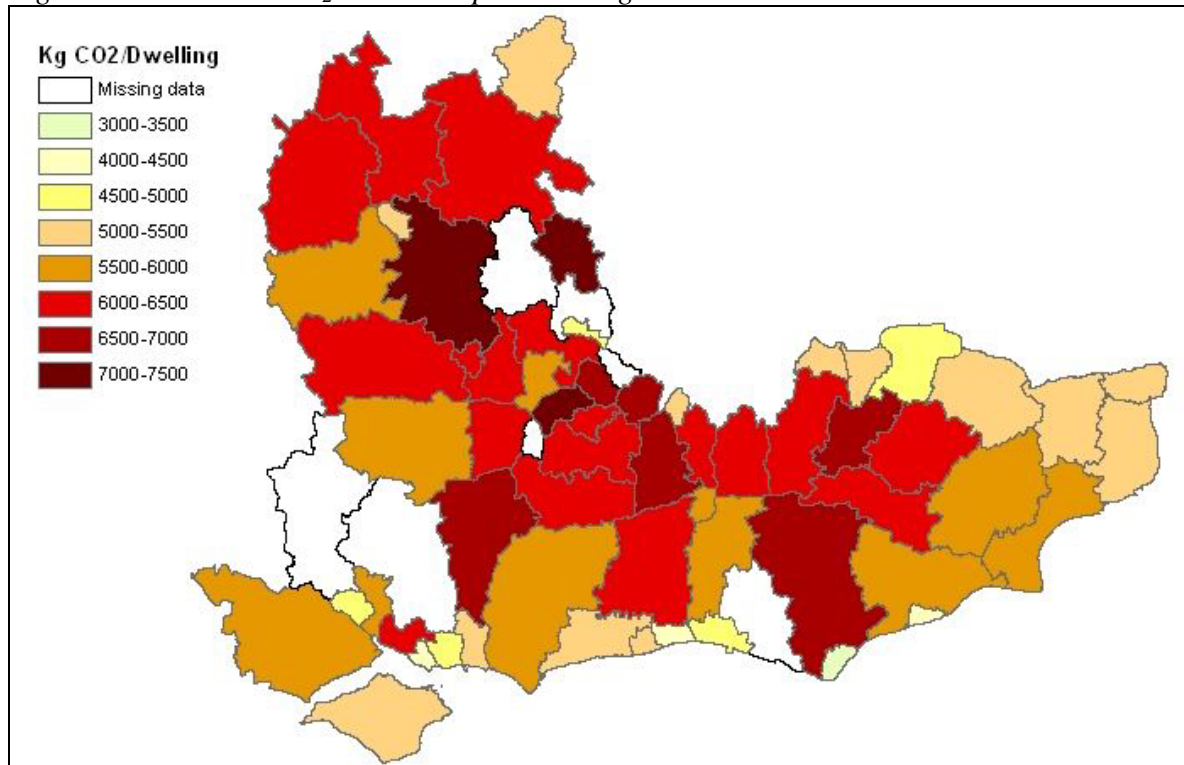
<sup>12</sup> “Deprived Districts” are defined using the Index of Multiple Deprivation 2004 (IMD 2004), which is a measure of multiple deprivation at the small area level, based upon seven “Domains” of deprivation: Income deprivation; Employment deprivation; Health deprivation and disability; Education; Skills and Training deprivation; Barriers to Housing and Services; and Living Environment deprivation and Crime.

## Energy

75. According to the UK Sustainable Development Commission, the existing housing stock is largely inefficient in terms of energy and water wastage and needlessly high in carbon emissions (Sustainable Development Commission 2005). As discussed above, 29% of the housing in the South East does not meet the Decent Homes Standard and 75% of those that fail do so on grounds of thermal inefficiencies (Groves, Sankey and Tice, 2006), which in most cases is due to a lack of insulation.

76. The UK's homes are responsible for almost a third of UK carbon dioxide (CO<sub>2</sub>) emissions, attributed to the consumption of fossil fuels for heat and power generation. Recently released figures from Best Foot Forward illustrate the level of CO<sub>2</sub> emissions per dwelling in the South East. With a Great Britain average of 5,595kg of CO<sub>2</sub> emissions per dwelling, the South East comes second only to the East of England in producing the highest CO<sub>2</sub> emissions (5,808kg per dwelling) of all English regions, Scotland and Wales. Figure 2.28 shows the areas in the South East that are performing best and worst in terms of CO<sub>2</sub> emissions.

Figure 2.28: Annual CO<sub>2</sub> emissions per dwelling<sup>13</sup>



Source: *Domestic Carbon Dioxide Emissions for Selected Cities (2006)*, *Best Foot Forward*. Research conducted for British Gas.

77. The areas where dwellings are performing the worst in terms of CO<sub>2</sub> emissions are generally those clustered in close proximity to London and to the north of the region. The areas to the east and south of the region perform in general much better, with lower CO<sub>2</sub> emissions. When comparing the average price of properties with CO<sub>2</sub> emissions per dwelling, the pattern suggests that the areas with the lowest house prices, £150,000-£250,00, generally

<sup>13</sup> The data on which this map is based can be found in Annex A. Missing data are indicated where data from these local authorities are not considered accurate enough to include.

have the lowest CO<sub>2</sub> emissions per dwelling while, conversely, areas with average property prices of £250,000 and above commonly have the highest CO<sub>2</sub> emissions per dwelling. There are some exceptions to this rule, particularly in the east of the region, but overall the pattern suggests either that larger houses or wealthier people emit more CO<sub>2</sub>.

78. A report from WWF<sup>14</sup> demonstrated that in the West Midlands, the older the house, the greater the energy requirements, with those houses built before 1919 using approximately a third more energy than those built after 1965. As discussed in Chapter 2.2, the South East has a greater proportion of houses built after 1965 and is therefore more energy efficient. However, this still illustrates that a proportion of less efficient older stock exists.

79. The same report also demonstrated that certain housing types have higher levels of emissions. In general, a flat/maisonette will have a lower requirement for energy than a terrace or semi-detached house, which in turn will require less energy than a detached house. Again, this can be compared to the proportion of housing types in the South East which has a greater proportion of detached and semi-detached houses compared to flats/maisonettes.

80. Much of this will be attributed to the behaviour of individuals within their homes but the figures for the Decent Homes Standard indicate that the condition of the houses themselves is often to blame. Moreover, a recent sustainable consumption report from the Sustainable Development Commission placed much of the blame for the lack of change in consumer response to the leadership and incentives provided by government. A related report by the Sustainable Consumption Roundtable<sup>15</sup> followed the activities of a group of householders who purchased homes that had been made more energy efficient, for instance by having solar water heating installed. Previously this group of householders had no interest in energy efficiency or “green” issues. After a year of living in these houses, they had become more aware and active on environmental issues.

## **Water**

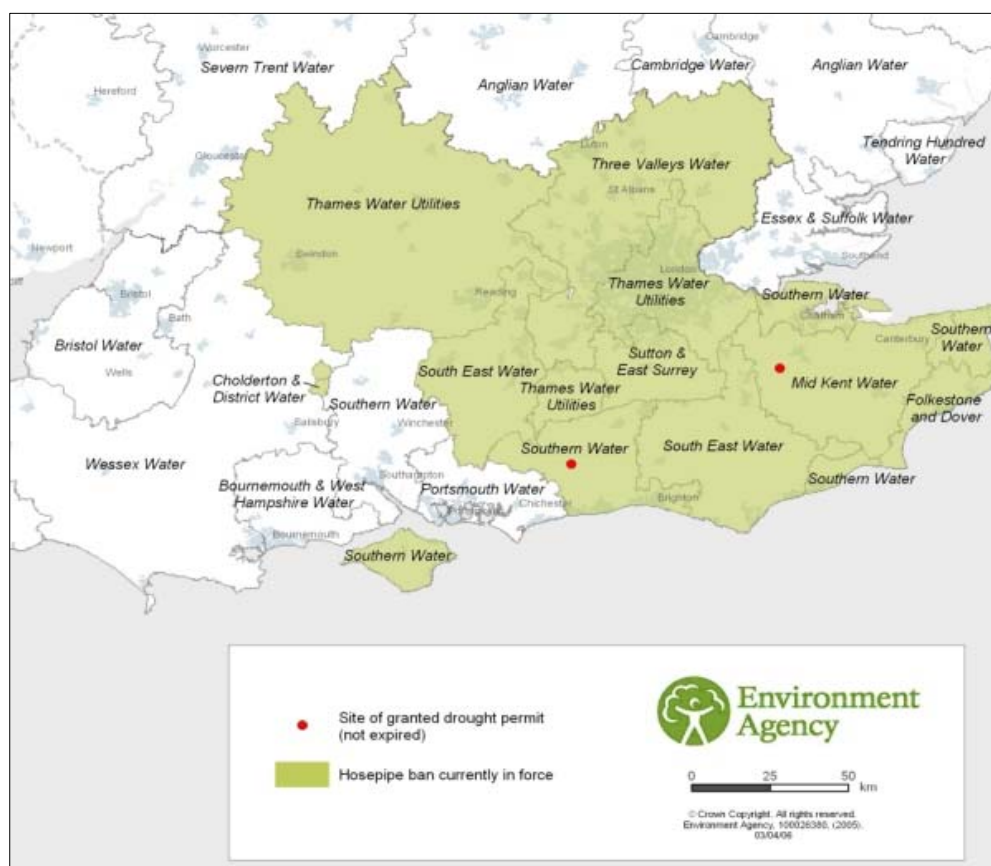
81. Water demand in the UK is rising, and households are responsible for over 50% of water consumption.

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<sup>14</sup> Joe Ravetz, John Barrett, and Alisdair Paul (2006) *Counting Consumption: CO<sub>2</sub> emissions, material flows and ecological footprint of the West Midlands*. WWF-UK.

<sup>15</sup> Sustainable Consumption Roundtable/Hub consultants (2005) *Seeing the light: the impact of micro-generation on the way we use energy*.

Figure 2.29: Parts of the UK where a hosepipe and sprinkler ban is imposed (April 2006).



Source: Environment Agency 2006

82. There is currently (2006) a shortage of water supply in many areas of the UK, particularly in the South East where rainfall is low, predicted droughts ever more frequent, and water consumption the highest in the UK. Water companies have already imposed hosepipe bans in South East England as of April 2006 to conserve water ([www.environment-agency.gov.uk/](http://www.environment-agency.gov.uk/)). Figure 2.29 (above) illustrates the places in the UK where these bans have been imposed, and shows that they are mostly in the South East. Climate change forecasts are for more extreme weather conditions which may include periods of drought. The South East (together with London) with its low rainfall and high (and increasing) population is likely to be the most vulnerable part of the country to future droughts.

83. In addition, there are great inefficiencies in water supply infrastructure. Total annual water leakage for England and Wales (2003-4) was 3,650 megalitres per day. ([www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/Content/pn2404#annex](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/Content/pn2404#annex)). This also puts pressure on sewerage systems.

84. Although, again, it could be argued that it is the behaviour of households and the external infrastructure that is at fault, the condition of the housing stock is itself inefficient in terms of the use of water. Many houses do not have water metering, which is just becoming compulsory in parts of the South East, and there is very limited greywater or rainwater harvesting (unless households have themselves purchased a water butt). There is currently no data available for costs of retrofitting these systems (e.g. using non-potable water for uses such as toilet flushing) into existing houses (Sustainable Development Commission 2005); however, research by the Environment Agency estimates that retrofitting water-efficient appliances, alongside some behavioural changes, could reduce water consumption by almost

40% without requiring any behavioural change (Sustainable Development Commission 2005).

### **Waste**

85. Households generate 8% of waste. Between 1996/7 and 2003/4 in the South East, municipal waste increased by over 14%. Although recycling and composting is increasing, the overall growth in waste still exceeds any gains made by recycling in the region. This is likely to be exacerbated with new housing which could account for an additional 25% of waste nationally. Much of the waste generation is caused by household activity and the provision of local facilities. Within households there is little in the design of the households, or particularly kitchens, to encourage the recycling of materials.

## ***3. Drivers affecting the use of the housing stock***

### **3.1 Identifying the key drivers**

#### **Selection of key drivers**

86. This chapter looks at the drivers affecting the use of the housing stock and examines the direction in which each is pulling. The relative significance of each driver and the tensions between them are explored in Chapter 4.

87. Economic factors are key in connecting together many of the different drivers, especially given the very high proportion of housing in private ownership in the region. For instance, if shortages of oil or water lead to rising prices, this will lead to pressure to reduce consumption, which could decrease demand for larger, less energy-efficient housing. Conversely, if past trends continue, incomes will rise by 40% over the next 20 years and demand for space will rise with it.

88. Within this framework, there are a range of different drivers often operating in different directions. Many of these have been identified by a number of previous studies (Cabinet Office, 1999; Futurethink work for the South East). Some reports focus on particular types of drivers such as technological drivers (Neild and Pearson, 2005) while Housing Futures (CABE and RIBA, 2004) and Riding the Rapids (Landry 2004) looked at the drivers affecting housing and urban areas respectively.

89. Drawing on these studies as well as the Futures workshop conducted for this research, the main drivers identified can be divided into five areas:

- Social
- Technological
- Economic
- Environmental
- Political.

#### **Wild cards**

90. In addition there is also the unpredictable. Possible “wild cards” include major financial market crash, appearance of a new and deadly disease, use of weapons of mass destruction by a rogue state, an economy-changing technological breakthrough, a rapid shift in fertility rates and a major environmental disaster (Cabinet Office 1999; Neild & Pearson 2005). By definition, these cannot be predicted and each is unlikely in any given year, but the Cabinet Office reasons that “it is highly probable that one or more will occur over the next two decades”. It is not really possible to predict what the consequences of such events would be for the use of the existing housing stock, but it should be acknowledged that they would have an impact and may throw off other estimates of other more predictable change.

91. Two factors have led to the selection of drivers discussed within this report. The first and most important factor is that they are likely to have a large impact on the housing stock. This includes demographic change, climate change and economic change. The second

factor is that there is some degree of certainty that the factor will have an impact and that it will affect housing. Hence, whilst technology will have an impact, it is difficult to state what impact it will have on existing housing. It is relatively easier to assess the impact of an ageing population. Likewise wild cards are by their nature very uncertain and so their impact on housing is not discussed.

### Key drivers

|                       |  |  |
|-----------------------|--|--|
| Social drivers        | <b>Demographic changes</b>                         | Population projections                 |
|                       |  | Household projections                  |
|                       |  | Solo living                            |
|                       |  | Other impacts of the ageing population |
|                       | <b>Changing aspirations</b>                        | Tenure                                 |
|                       |  | Second homes                           |
|                       |  | Environmental awareness                |
| Technological drivers | <b>The internet and changing working practices</b> |  |
|                       | <b>Technologies in the home</b>                    |  |
|                       | <b>Transport</b>                                   |  |
| Economic drivers      | <b>The economy</b>                                 |  |
|                       | <b>The housing market</b>                          | The investment value of housing        |
|                       |  | Affordability problems                 |
|                       |  | Locational impacts                     |
| Environmental drivers | <b>Climate change</b>                              |  |
|                       | <b>Pressure on natural resources</b>               |  |
| Policy drivers        | <b>New house building</b>                          | Rates of new building                  |
|                       |  | Types of new housing built             |
|                       | <b>Policies affecting tenure</b>                   | The Right-to-Buy                       |
|                       |  | Social Homebuy                         |
|                       |  | Open Market Homebuy                    |
|                       | <b>Social housing allocation policies</b>          |  |
|                       | <b>Empty homes strategies</b>                      |  |
|                       | <b>Financial incentives to own housing</b>         | Deregulation of private renting        |
|                       |  | Tax relief on mortgage payments        |
|                       |  | Taxation on ownership                  |
|                       |  | Council tax                            |
|                       | <b>Lifetime homes</b>                              |  |
|                       | <b>Decent homes</b>                                |  |

## 3.2 Social driver 1: Demographic changes

92. Changing demographics will have a major impact on the ways in which the existing housing stock can be used, as well as on future demand for housing.

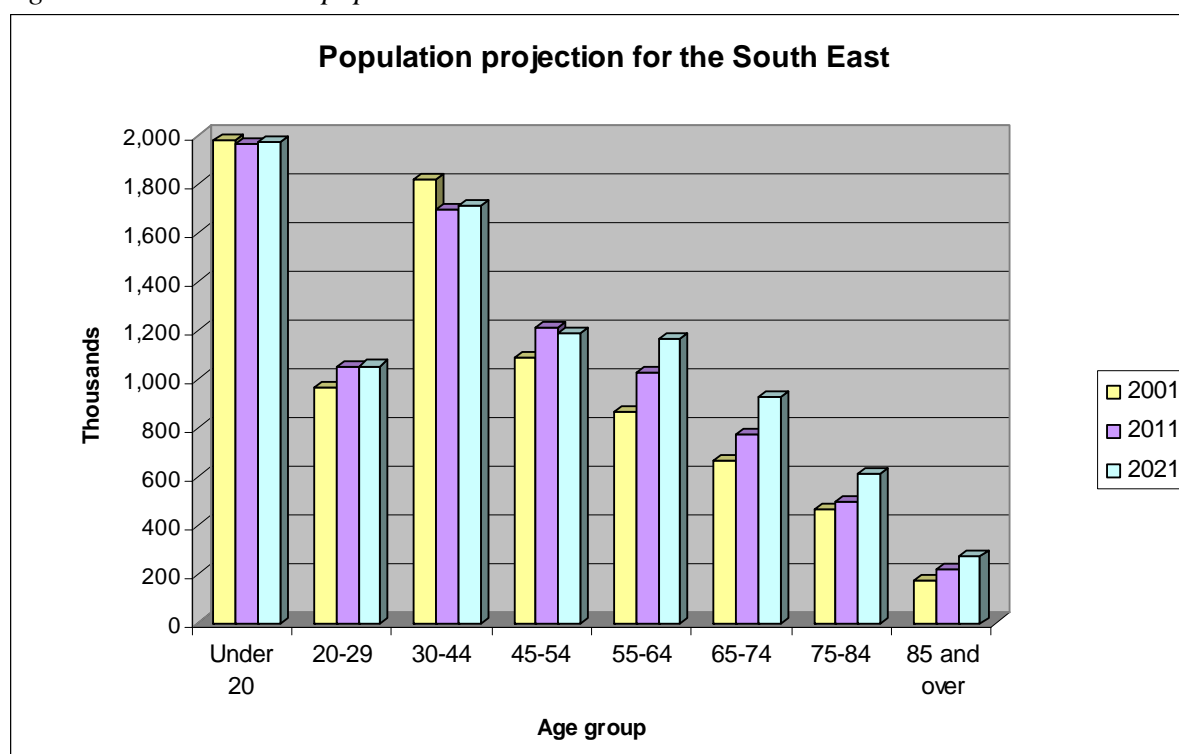
93. One key aspect of changing household structure is the trend towards smaller household size. This means that within a given population size, there is an increasing number of households. This is a very important driver in housing. The Royal Town Planning Institute

argues that “people living longer and living alone is fuelling a severe housing shortfall on a scale to match the looming pensions crisis” (2005). Holmans and Whitehead argue similarly that “the growth in the number of households is the major influence on the demand and need for additional housing” (2005). The main shortfalls in new house building levels compared to household formation have been assessed to “relate to London and the wider South East, not to England as a whole” (Wilcox, 2005).

### Population projections

94. For this demographic analysis the official 2003-based population estimates for the South East region have been used. These projections are produced periodically by the government, and use the 2003 mid-year estimate as their starting point. They assume the continuation of current trends in fertility and mortality, and migration moves into and out of the area. They do not reflect change due to future housing development in the area. The projection for the South East is shown in Figure 3.1.

*Figure 3.1: Trends in population*



*Source: Office for National Statistics*

95. Almost all of the projected net increase of nearly 900,000 in the population of the South East between 2001 and 2021 is in the age ranges from 55 upwards, some 811,000 in total. An important reason for the increase in the population aged 55-64 is ageing of men and women born in the years of the “baby boom” which began in the later 1950s, reached its peak in 1964, and then subsided at the beginning of the 1970s. Men and women aged 55-64 in 2001 were born in 1937 to 1946; men and women who will be aged 55-64 in 2021 were born in 1957 to 1966. At all ages there are effects from past inward migration. At the higher ages, improving longevity helps explain the increase in population.

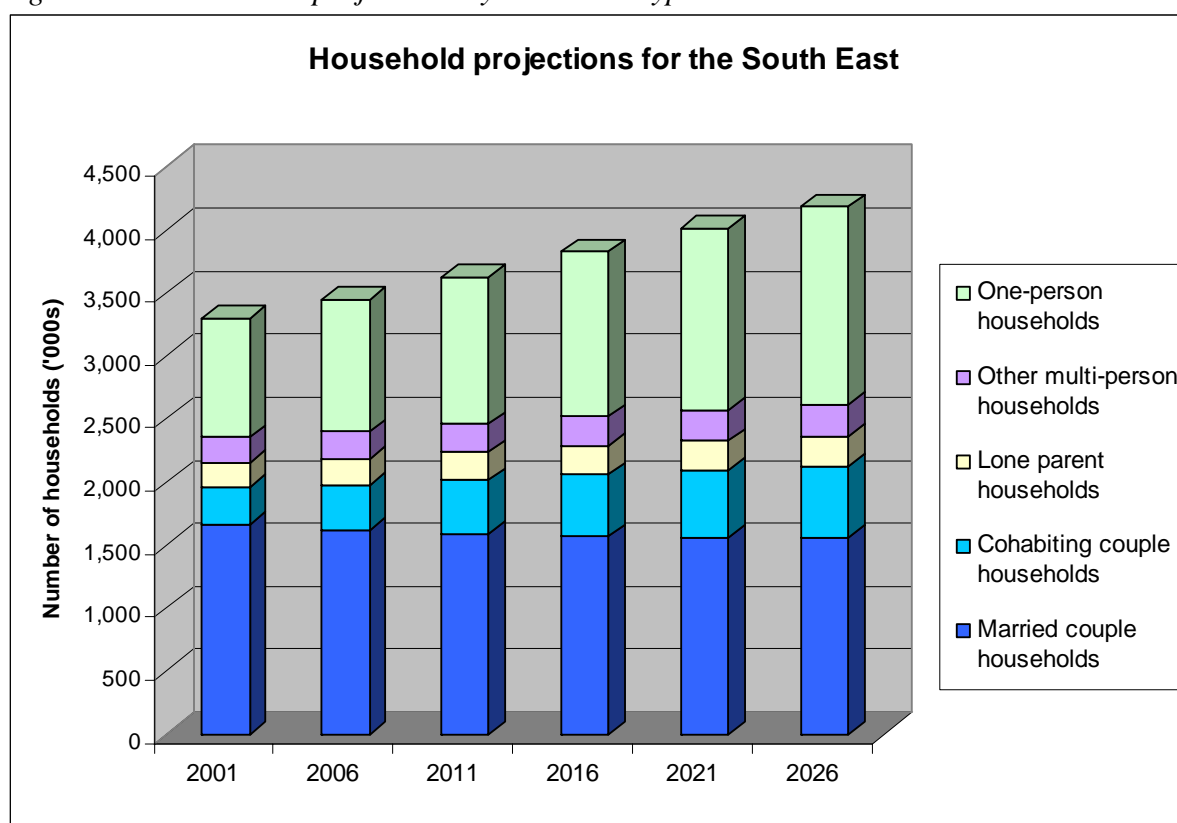
96. The main significance of the age distribution of the projected increase is that so much of the increase is in the age ranges where “under-occupation” by owner-occupier households is common, through couples, and then widows and widowers, continuing to live



in family-sized homes when sons and daughters have moved away. The over-45s are also the age group most likely to own second homes, and second-home ownership may also be fuelled by an anticipated increase in inherited property by those aged 35-64 at present, who, as well as being quite numerous, are more likely than previous generations to have owner-occupying parents (CML 2001).

## Household projections

Figure 3.2: Households projections by household type in the South East



Source: Official 2003-based population estimates for the South East

97. As can be seen from Figure 3.2, the total number of households projected for the South East is due to increase considerably over the next 20 years, despite a much more modest increase in the total population.

98. These changing patterns of household type reflect several factors:

- An ageing in the population overall
- An increase in divorce and separation, resulting in more lone-parent and one-person households
- A rise in the average age at which young people start to live with a partner, and increasing numbers that never do. This increases the numbers of one-person households and “other multi-person households” many of which consist of house-sharing young adults.

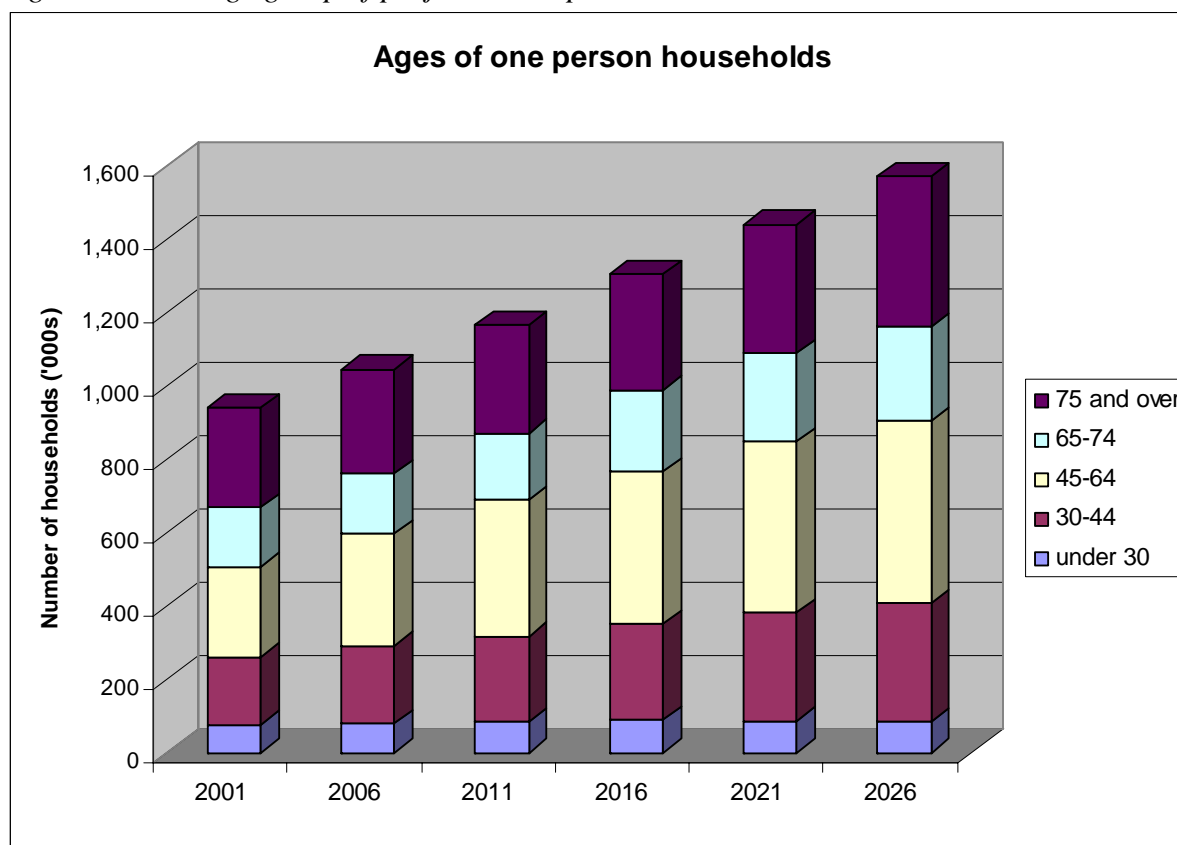
99. The relative importance of these factors has been the subject of some debate. Holmans and Whitehead (2005) argue that “a major reason for the projected increase in population is falling death rates and thus increased longevity”, although immigration

accounts for a similar proportion of the increase in household numbers, despite the fact that immigrants tend initially to live in larger households. In contrast, the Unilever Family Report 2005 emphasises social trends and suggests that it is “mostly changing social behaviour that is driving the increase in solo living, rather than structural changes such as increased life expectancy”.

### Solo living

100. As shown in Figure 3.2, the main component of the increase in households comes from one-person households. Figure 3.3 (below) shows the age groups of these households:

Figure 3.3: The age group of projected one-person households



Source: Official 2003-based population estimates for the South East

101. This changing demographic has potential implications for the sizes and types of properties in which people live. It has been argued that “on average people living by themselves are less well off and less likely to be in work than the general population” and that therefore house-sharing or subdividing existing units to provide cheaper accommodation might be an effective way of meeting housing demand without additional housebuilding (ibid 2005). This then leads to the conclusion that more one-bedroom properties are needed to meet future needs and avoid under-occupation.

102. Similarly, RPG9 acknowledges the growing proportion of elderly households. Paragraph 8.8 states:

*Future housing provision will also need to take account of patterns of household formation. Current household projections indicate that there is likely in future to be a higher proportion of one and two person households than at present. These households are likely to have different needs from*

*larger households, in terms of the size, type and location of home required. Household projections, furthermore, indicate an increase in the proportion of households with older people. (GOSE March 2001).*

103. This too could be taken to imply that smaller households may require smaller properties.

104. The analysis carried out here in this report, however, does not support this conclusion; most of the future one-person households are aged over 45. As discussed in Chapter 2, under-occupation is found mainly amongst older owner-occupying households, who are the main component of the increase in future smaller households. There are increasing aspirations for under-occupation and very little evidence that households will intentionally downsize as a result of decreasing household size. As Figure 2.12 shows, there is only a weak link between household size and number of bedrooms. This link is especially weak in the owner-occupied sector and in the older age groups.

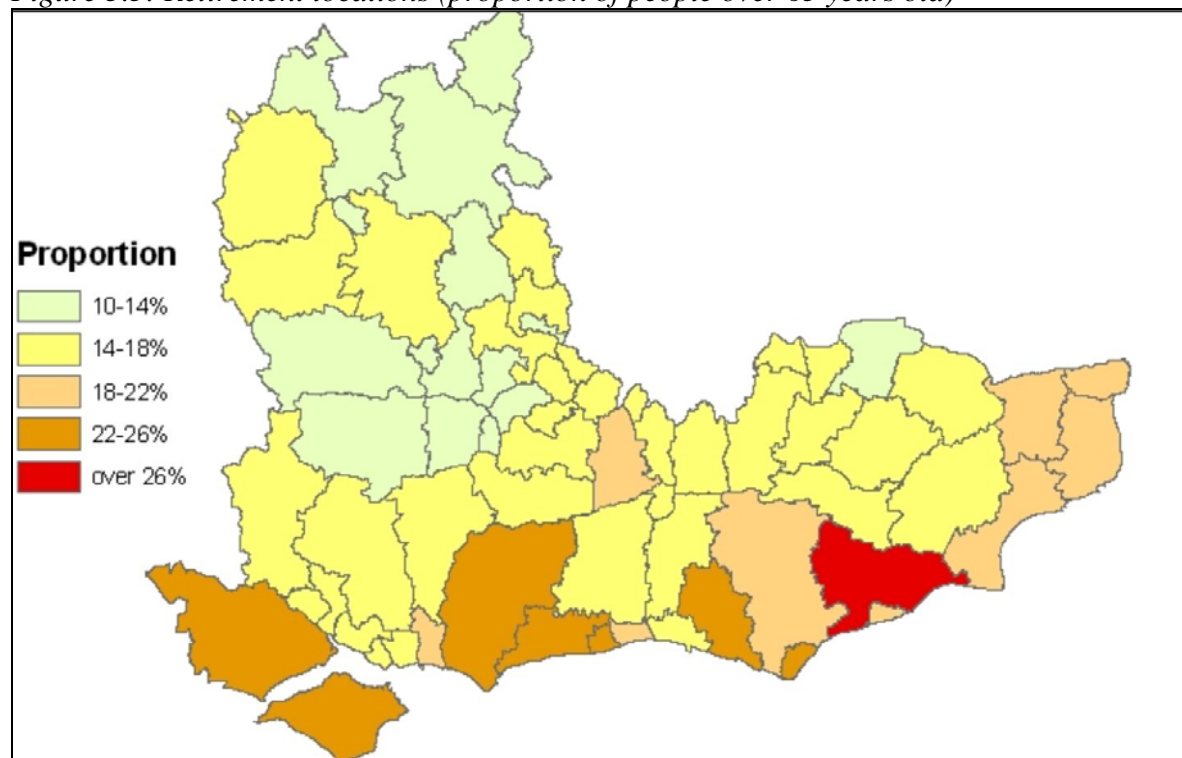
105. A consequence of increasing numbers of lone parents is the corresponding increase in non-resident parents (usually fathers) who have their children to visit on a regular basis. These may be classed as one-person households, but they are likely to seek to live in properties with space for their children to stay, and so will be technically under-occupying. In addition to this, some family households will contain additional “part-time” children who belong to one or other parent, placing additional demands upon available space.

106. Other research, too, has challenged the assumed link between smaller average household sizes and consumption of smaller housing units. King (2004) points out that household space consumption rises with income and with age and family formation during the early part of a household’s lifestyle. But it declines only modestly (if at all) during the latter part (late 40s onwards), showing that households tend to take their housing consumption with them as they age. It is income and equity already acquired in the housing market that are the major influences on housing consumption, much more so than household size and type (Stewart 2005).

### **Other impacts of the ageing population**

107. There are also other identified impacts of an ageing population which relate to the location and the type of properties that are most needed. An increase in the proportion of retired people, no longer tied to living near a place of employment, may also affect the areas in which housing demand is highest, and the willingness of people to move around within the existing housing stock (RTPI 2004).

Figure 3.5: Retirement locations (proportion of people over 65 years old)



Source: 2001 Census

108. Figure 3.5 (above) shows the current proportions of those aged over 65. As can be seen, the south coast is especially popular with older people. A larger proportion of older people could heighten pressure upon these areas.

109. Housing for older people tends to be conceived of quite narrowly as sheltered housing. The RTPI argues that “such guidance as there is still tends to focus on the ‘special needs’ of the elderly” (2004). However, the majority of elderly people live in “ordinary housing”: that is, non-sheltered or non-specialist accommodation. It has therefore been suggested that “the options for moving (in late life) are more varied” than a choice between staying in an existing property and moving into sheltered accommodation (Appleton 2002). The RTPI argues that “the projected increase in the numbers of elderly and very elderly people is only one dimension of the ageing population ... [and] the anticipated changes in other age cohorts also need careful consideration” (RTPI 2004). In terms of housing older people, the location of the property and access to facilities are important, as well as the physical nature of the home itself. There may also be different cultural norms within different ethnic groups: for example, some BME households may prefer to live in larger properties with extended family members, or at least close to where other families live (Appleton 2002).

110. The three main housing problems for older people have been identified as availability, affordability and disrepair. However, it has been found that “whilst anxieties about repairs or maintenance may be a factor in the decision of some older homeowners to move into rented housing, principally sheltered housing, it is not high in any list of reasons given by older people themselves. The ability to move about the house and access its facilities is much more often mentioned” (Appleton 2002).

### **3.3 Social driver 2: Changing aspirations**

111. As overall housing conditions improve so too do housing aspirations. As people become wealthier they aspire to better living conditions and more desirable housing. The recent popularity of television programmes devoted to buying, selling and refurbishing property reflects an increasing interest in housing as both a consumer good and a financial investment.

#### **Tenure aspirations**

112. “Ours is a consumer culture partly fuelled by a belief in home ownership” (Firth & Zogolovitch 2004). In terms of tenure aspirations, most homeowners say that this is their preferred tenure, but those in social rented and private rented housing are more divided. Focus groups held with low- to middle-income households (Edwards 2001) suggested that a lot of renters are nervous of home-ownership both in relation to their ability to pay their mortgage and in having to be responsible if anything goes wrong with the property, although lack of finance remained the biggest obstacle for most. Nevertheless, compared with many European countries it seems fair to conclude that overall “there is something in British culture that prefers ownership” (Shaw 2001). There seems little to suggest that the aspiration for home-ownership is likely to decline. The Government has set a target of increasing owner-occupation to 75% nationally (from the 70% it is currently). As renting declines, it is likely to become further stigmatised; as it is increasingly not seen as a legitimate tenure choice and it becomes used increasingly only for those in the highest degree of need. This is likely to be especially the case in the South East where the proportion renting is already lower than elsewhere.

#### **Second home aspirations**

113. The second home market is increasing. The Council of Mortgage Lenders’ (CML) 2001 report into second homes identified the increased interest in the added quality of life afforded by a second home as a key driver behind this increase, alongside an increased enthusiasm for investing in housing. Those aged 45-64 are increasingly seeing property as a very good investment, owing to the growth in the housing market since they first bought homes, and they are the key group likely to be purchasing second homes. There is, however, an increase in interest in second homes abroad. The proportion of English households who own a second home abroad has been increasing faster than those who own one within Britain and currently represents 35% of all second homes (as compared with 28% in 1994).

#### **Increasing environmental awareness**

114. Although the general public have been criticised for failing to take heed of the environment, awareness is likely to increase in the future. There has been a growing movement towards localisation evidenced through a rise in volunteerism, growth in the number of farmers’ markets and much more interest in local and organic produce, initially foodstuffs but spreading to other types of products. This is likely to extend in time to housing. Recent research by CABI, WWF and HBOS reveal that 87% of buyers want to know if their homes are environmentally friendly, with 84% willing to pay 2% extra on the purchase price for an eco-home (Sustainable Development Commission 2005).

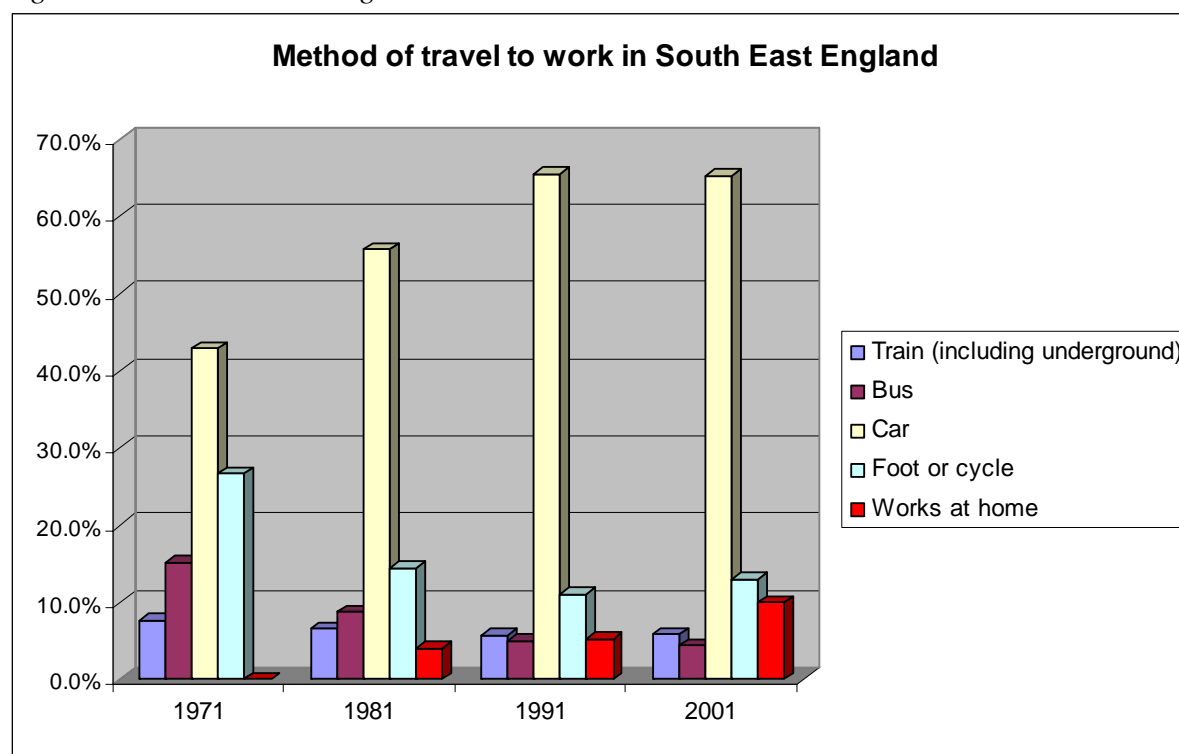
115. Alongside this, the pressure caused by increasing energy prices has led to a greater interest in micro-generation. There is now greater availability of technologies to help address climate change and reduce energy bills. This includes solar panels, various types of wind

turbines and combined heat and power systems. This makes the technology much more available and less the preserve of the mega-rich than has been the case in the past.<sup>16</sup>

### 3.4 Technological driver 1: The internet and changing working practices

116. One issue highlighted in the literature is growing trend towards homeworking (Landry 2004; Cabinet Office 1999; Dwelly 2002; Neild & Pearson 2005).

Figure 3.6: Homeworking<sup>17</sup>



Source: Census

117. There is also some reason to believe that the proportion of people working from home may have increased substantially since 2001. The proportion of households with access to the internet and to broadband has increased in this time, and in 2003 new laws were introduced giving working parents the right to request more flexible working arrangements, which can include working from home. A recent telephone survey carried out by the Policy Studies Institute has found that the proportion of fathers of 17-month-old children working from home has doubled in the last four years from 14% in 2002 to 29% today<sup>18</sup>. It has been predicted that by 2010, 25% of the UK workforce could be teleworking at least two days a week (Neild & Pearson 2005).

118. These trends could support many different changes in use of existing housing. The ways in which they do so depend on a range of other factors and policy responses (Gillespie & Rutherford 2004). Households in the private sector who can afford to are likely

<sup>16</sup> <http://observer.guardian.co.uk/cash/story/0,,1805154,00.html>

<sup>17</sup> Working from home was not given as an option in 1971.

<sup>18</sup> See [www.psi.org.uk/news/pressrelease.asp?news\\_item\\_id=180](http://www.psi.org.uk/news/pressrelease.asp?news_item_id=180)

increasingly to demand a spare room from which to work from home (Futurethink 2003). Urbed also emphasises the need for houses to be “large enough to accommodate an office either in the home or in the garden” (2004).

119. These households may be technically “under-occupying” their housing, but unwilling to downsize. The trend towards homeworking, together with increasing mobility and speed of transport, has also been identified as likely to cause additional pressure on the more attractive locations, especially rural areas (Cabinet Office 1999). The counter-result of this change could be a decreased demand for housing in less popular urban areas, resulting in increased likelihood of empty properties (Cabinet Office 1999).

120. Working from home has also been identified as having an impact upon second-home ownership (CML 2001). Estate agents have reported that some households take advantage of this facility in order to dispense with their second home (for instance, a home in London which used to be needed for work reasons) (CML 2001). More generally, however, there has been an increase in complexity of work patterns with couple households, where one or other member commutes long distances and stays away from home for some nights of the week, sometimes in a second home.

121. Overall, however, working from home is likely to put additional pressure upon the existing private housing stock, as the proportion of households with a second home is already quite small, so the potential gains to the housing stock from the sale of these homes are smaller still, especially in the South East, where most second homes are on the South coast and so presumably being used as holiday homes, rather than as a city flat to work from in the week. This potentially small gain to the housing stock is compared with a potentially much larger number of households seeking extra space for a home office (see figures 2.21 and 3.6).

122. Some local authorities and RSLs have adapted allocation policies so that they can offer new tenants (or new shared owners) an extra room. All the evidence suggests that there is high demand for the extra space, whether or not tenants work from home, yet if these demands are to be met, the existing housing stock will be unable to accommodate as many people and so will be used less effectively from this point of view.

123. Another driver which emerges within the literature is that of the technological divide. This highlights the economic divide that could emerge between those who are technologically literate and those who are not. This affects not just employment opportunity but also, increasingly, access to services as more and more services go online – health, voting, etc. It is critical in the future that existing housing will have whatever new technological hardware and links are needed in order to ensure that the facilities available are comparable to those in new houses. If this does not happen, the new communities of the future could be less sustainable and more polarised than at present, especially if whole estates, areas or tenures fail to benefit from the advances.

124. The area around ICT is relatively more certain than many other fields connected with technology; however, in many areas such as nanotechnology, whilst we know they will have an impact, it is very difficult to gauge the extent of the impact or what area it will affect. So whilst almost all drivers have a certain element of uncertainty attached to them, it is around technology that most uncertainty abounds.

### **3.5 Technological driver 2: Technologies in the home**

125. One important development here is that of technologies assisting independent living. It is known that adapting the existing housing stock to meet lifelong standards could reduce the necessity for older people to move to more easily managed properties (Appleton 2002). It has been suggested that the potential to keep frail elderly people in their own homes may increase further in the future with the development of audio-visual monitoring (Landry 2004). Entry phone systems where the visitor is flashed up on a television, flood detectors and sensors detecting movement, temperature and fumes have all been shown to reduce the time that frail elderly people need to spend in residential care. These developments help the existing stock to meet the needs and aspirations of the elderly population, but can increase levels of under-occupation if elderly people remain in large family houses.

126. More generally, there has been a dramatic increase over the last 20 years in all types of technologies in use in the home: many households now have multiple TVs, computers, and games consoles, audio equipment, DVDs and other devices. The use of such equipment places additional demands upon space within each household, as each household member may want to use different equipment.

### **3.6 Technological driver 3: Transport**

127. Car ownership is increasing, alongside overall mobility. Increasing numbers of households now have two earners (source: Labour Force Survey), meaning that it is often necessary for at least one of them to travel some distance to their place of work. In addition, people travel in all directions, for multiple purposes. This enables them to choose their place of residence more freely. House prices in rural areas have risen faster than in urban areas in recent years, and increasing levels of car ownership may further this trend in the future.

128. In addition, car ownership and increasing mobility have been identified as drivers behind the second-home market (CML 2001). The decreasing cost of travel abroad has, however, been identified as a driver behind ownership of second homes abroad, which may decrease pressure upon the domestic market (CML 2001). Retired people, too, may be increasingly likely to move abroad if they can rely upon easy and cheap air travel. The South East is well served by airports to many European countries popular with both second-home owners and retirees.

### **3.7 Economic driver 1: The economy**

129. Analysis carried out in Annex G shows that income levels are the main driver behind housing consumption. The implication is that if incomes continue to rise, one result will be a growing demand for more housing space, within the existing stock as well as in new houses and flats.

130. The following drivers have all been identified in the literature as affecting consumption of housing space, including under-occupation and second-home ownership:

- Rising incomes (Stewart 2005; CML 2001)
- Increased consumer confidence in the housing market (CML 2001)



- Reduced insurance costs: 15% in real terms across the board, and greater reductions on second homes under special packages (CML 2001)
- Uncertainty over pensions. This can cause people to see investment in housing as a more secure option (Stewart 2005). This is also fuelled by better deals on buy-to-let mortgages (CML 2001)
- Interest rates. Rising interest rates also contributed to the decline in house prices in the early 1990s and have helped fuel the housing market growth in later years (CML 2001)
- Anticipated growth in the property market, compared with alternative forms of investment (such as equities or bonds) (CML 2001)
- World markets. The state of the American economy is one particular factor that has been identified as potentially having a big impact upon the housing market (Whitehead 2004)
- Economic incentives to over-consume housing, especially in the owner-occupied sector (CABE & RIBA 2004)

131. In addition, wider global economies have an impact upon the South East region. For example, the availability of cheap air travel, the strength of the pound, in particular against the Euro, the weather, and the state of foreign property markets all increase the attractions of second homes abroad, as opposed to within the UK (CML 2001).

132. The incentive to invest in housing is also related to the value of alternative investment opportunities. If the stock market is performing badly, then investors will choose instead to invest in housing, fuelling the buy-to-let market, possibly leading to empty properties if the investors are short-term and can make a good return on their money without needing to have the property rented out. The boom in buy-to-let investment in the last few years has been attributed to the collapse in the stock market as an alternative form of investment (Scanlon and Whitehead 2005).

133. The state of the economy can have a critical impact on our decisions about housing. However, Britain's economy is now part of a global economic system and it is difficult to predict with any accuracy how the economy will develop over the next 20 years. Where there seems more agreement is on the continued decline of the manufacturing sector and the increasing importance of areas such as knowledge and creativity in giving the UK its competitive advantage. These changes are likely to impact upon the locations in which demands placed upon the existing housing stock are greatest. It has been suggested that the region could experience skills shortages, particularly in IT, which could be linked to increased in-migration as employers recruit skilled workers from outside the region and overseas (Futurethink 2003). Also, there may be further decentralisation of employment locations to smaller regional centres in the South East, which will affect where people of working age want to live (Futurethink 2003).

### **3.8 Economic driver 2: The housing market**

134. Barker (2003) notes that housing as an investment has a high rate of return, which is geared up by purchasing on a mortgage. As a result she demonstrates that over 20 years,

investment in housing can yield a return of around 8%, much higher than alternative investments especially allowing for risk (p.29). She also comments that the housing user cost of capital, which measures the direct costs of home ownership, can be more than offset by high and rising house prices, leading to speculative behaviour by house buyers which further fuels house price inflation.

135. The housing market itself affects the way in which the existing stock is used: house prices that rise faster than incomes cause affordability difficulties, which lead to some households overcrowding their housing, and conversely, to those who own housing being unwilling to sell or downsize as they see it as a good investment. Variations in prices between parts of the region (as well as with other parts of the UK) will also impact upon migration levels.

136. Social exclusion and polarisation of wealth look set to increase unless interventions are made to reverse the trend (Cabinet Office 1999; Shaw 2005). If allowed to continue, this driver is likely to increase over-consumption of housing (both in the form of under-occupation and second homes) by the better-off and leave a growing number of poorer households unable to afford sufficient housing to meet their needs.

137. The housing market is also a factor in second-home ownership: a large proportion of second-home owners in the South East have their main residence in London and use this asset to obtain a second home (CML 2001). Also, because it is no longer as easy to buy a suitable family home within commuting distance of London, some households instead purchase a family home further away and a city flat to use when working in London.

### **3.9 Environmental driver 1: Climate change**

138. Climate change is one of our biggest future threats. The impact of increased flooding, droughts, subsidence and extreme weather will be felt more in the South East than in other parts of the UK, with wetter, stormier winters and drier and sunnier summers. By the 2080s it is estimated that annual average daily temperature in the region will increase by 4-5° C, summer rainfall will decrease by 60%, and winter rainfall will increase by 30%. There are also likely to be more extreme weather events, such as intense rainfall and very hot days. Sea levels are also expected to rise and there is likely to be further intensification of warm weather through the urban heat island effect.

139. The South East Climate Change Partnership highlights that climate change could mean that “development proves to be too uncomfortable to live in, too expensive to run and maintain, and affordable insurance may no longer be available.”

140. Whilst this focus is on new developments, the issues remain much the same for the existing housing stock. Moreover, whilst new developments can be designed to withstand future extreme weather events, etc, it is more difficult, but crucial, to ensure that the existing housing stock – the vast majority of which will still be occupied in 50 years’ time – is prepared to withstand the potential future impacts of climate change.

141. The South East’s Climate Change Partnership report provides an overview of the impact of climate change. A full list of impacts can be found within the report, but includes the following:

- Flooding is already a major issue in the South East, with flood risk areas making up 11% of the total land area in the region. Development pressures and climate change are likely to place further properties at risk of flooding. The cost of insurance will increase in areas at risk, and may even be difficult to obtain in the first place.
- Higher temperatures will become more frequent and this will be exacerbated by the urban heat island effect which could add 5-6° C to summer night temperatures. To counteract this, there will be a greater need for shade and green spaces. There will also be a greater demand for outdoor space. There may be a greater need for mechanical ventilation and cooling although this would further increase CO<sub>2</sub> emissions.
- Subsidence is likely to be affected by increased summer temperatures, which will affect more housing built on clay soils.
- Climate change will increase the demand for water and reduce the supply. This will result in a greater need for water efficiency measures.
- It is uncertain whether wind speeds will increase as a result of climate change. If this is the case, then tall buildings in particular may have to be strengthened. Also loose items, such as roof tiles, would have to be more secure.
- Roof and drainage systems will have to adapt to cope with more intense rainfall.

### **3.10 Environmental driver 2: Pressure on natural resources**

142. The principal sources of energy we use in homes for heat and power generation (oil, coal and gas) have a finite lifetime. Current predictions estimate that oil will become scarce and hence very expensive within the next 15-20 years, with peak oil production being reached within the next 5-15 years. Much of the increase in demand has been attributed to the growth of China and India, with estimates that by 2020 China will be responsible for 40% of all coal burned, 10% of all oil consumed, 13% of all electricity used, and 20% of all energy-based CO<sub>2</sub> emissions.

143. In the *Telegraph*, Michael Meacher highlighted that: “whilst it has taken 145 years to consume half of the 2-2½ trillion barrels of conventional oil supplies generally regarded as the total available, it is likely that, given the huge increases in demand from China and India, with rates of growth of 7pc-10pc a year in economies supplying two-fifths of the world population, the other half will be largely consumed within the next 40 years”.<sup>19</sup>

144. Coupled with this, is the potential insecurity of energy supply to the UK given its reliance on imported energy. The South East is a regional net importer of energy and has very few renewable energy installations. Overall, the UK will be dependent on foreign imports to supply three quarters of its total primary energy needs within 15 years.

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<sup>19</sup>[www.telegraph.co.uk/money/main.jhtml?xml=/money/2006/06/26/ccpers26.xml&menuId=242&sSheet=/money/2006/06/26/ixcoms.html](http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2006/06/26/ccpers26.xml&menuId=242&sSheet=/money/2006/06/26/ixcoms.html)

145. Additionally, there is an increase in demand to move away from the use of fossil fuels because of their significant environmental impact. Using low and zero carbon technologies (photovoltaics, PV and combined heat and power, CHP) at the household level will become increasingly more viable, especially given the contribution that this will make to the UK's target of delivering 60% reduction in carbon emissions by 2050.

146. This can impact on housing in several ways depending on how the world adapts to this pressure:

- Without a replacement of fuels within the requisite time period, energy prices will increase, possibly dramatically. This will have a significant impact on the use of energy within the home and will increase the demand for more energy-saving devices. It may also lead to increased demand for smaller and more efficient properties as householders find themselves less able to afford the energy to heat (or cool) existing homes.
- The demand for alternative technologies could increase. This includes micro-renewables as householders seek to save money by generating their own electricity. This would see more homes being fitted out with solar panels, CHP systems and mini wind turbines.
- A large increase in energy prices could also affect how we relate to our community. The use of the car could become a greater luxury and there would be an increase in demand for housing with access to local facilities.

### **Existing standards and measures to improve energy efficiency**

147. Since 1996 all local authorities with housing responsibilities have been required to submit energy conservation reports under the 1995 Home Energy Conservation Act (HECA) to identify energy conservation measures which they regard as likely to result in considerable improvements in the energy efficiency of their own stock.

148. More recently, the Government made a commitment in 2000 to bring all public-sector homes up to a reasonable level through the Decent Homes Standard, and the DCLG introduced the draft Code for Sustainable Homes (2006), which provides guidance to builders and existing homes owners on how to improve the environmental performance of homes. Although a voluntary code at present, it does signal a new direction for sustainable building standards.

149. Initiatives such as BRE's BREEAM/EcoHomes standard are considered to target energy efficiency directly. This standard assesses the environmental performance of both new and existing buildings, including issues affecting health and well-being, and is considered to be best practice in environmental design and management.

150. A number of existing initiatives are already in place to encourage the upgrading of existing dwellings. The Government's Warm Front and Warm Front Plus grant schemes provide support in the form of grants for those people on low incomes and benefits who require help in paying for heating and insulation improvements in privately owned or rented homes.

### **3.11 Policy driver 1: New house building**

151. Both the level of new house building and the type of housing built will impact upon the ways in which the existing housing stock is used.

152. The Barker review concluded that failing to build sufficient homes to meet growing demand is one factor that pushes up the price of housing. It has been argued that this exerts pressure upon households to make the best possible use of the existing stock (Landry 2004). Adaptations and extensions become most cost-effective in this kind of housing market, and this is likely to be one important reason for the high numbers of extensions that have been made to the existing housing stock over the last 20 years (see Annex F).

153. There are, however, downsides to high house prices for the use of the existing stock: the consequences would not be felt by all households equally but would impact disproportionately upon the younger and poorer households. Under-occupation may be reduced, but it has been pointed out that overcrowding would also increase as growing numbers of households are unable to meet their needs in the market (Stewart 2005). It has also been argued that a rising housing market creates a strong incentive to purchase more housing space than is required because of the investment value it represents (Stewart 2005).

154. The type of new housing built also affects which households move into it and thus how the remaining existing housing is used. The existing policy driver emphasises the importance of brownfield development, high densities, regeneration and restricted development in rural areas. This may mean that under-occupying older households are not encouraged to trade down because there is a shortage of attractive smaller properties, such as bungalows (Stewart 2005).

155. Density requirements on new housing are also encouraging the production of smaller, one-and two-bedroom properties. This is likely to impact upon the relative prices of larger and smaller housing within the entire housing stock. As larger houses become relatively scarcer, their price will increase more steeply than those of smaller dwellings. Analysis in Annex E of this report shows that over the past 20 years, the net effect of conversions to the existing stock has been an increase in the number of units in the South East, as it was more common to convert larger houses into smaller properties than to join smaller properties into larger ones. This trend could decrease or even reverse if the demand for larger houses is not met through new build and planning legislation allows properties to be joined (or re-joined) together.

156. The tenure of new house building also affects the way in which the existing housing stock is used: High levels of new social rented housing are likely to decrease levels of over-crowding in the remaining social sector stock, but building less market housing may increase the price of existing market housing.

### **3.12 Policy driver 2: Policies affecting tenure**

157. The Right-to-Buy has been the chief policy driver over the past 20 years, turning social rented housing into privately owned. The Right-to-Buy has been curtailed to some extent in recent years, but most council tenants in the South East still have the Right-to-Buy and will continue to exercise it over the coming 20 years. In addition, the newer Social Homebuy is now offering some housing association tenants the opportunity to purchase the

home they live in. The Government has promised that the revenue raised through this scheme will allow the housing associations to build new social housing, but it will nevertheless alter the tenure of the existing housing stock.

158. Selling social housing in these manners helps meet the aspirations of the existing tenants by offering them the chance to become owner-occupiers, but makes it harder for others to gain access to social housing (and hence increases levels of overcrowding) unless the lost stock is fully replaced by new-build housing. Large estates of social housing have, however, been seen as a problem, a source of social exclusion and stigma, and contrary to the Government's agenda of mixed and sustainable communities. Selling some properties on such estates to private owners improves the tenure diversity of the area, and may in the long term improve the social mix, although it does depend upon who buys the properties and whether they are rented out privately.

159. Open Market Homebuy aims to help first-time buyers to part-purchase their own home through a shared ownership scheme in partnership with an RSL. These properties are chosen by the buyer in the open market, so properties being bought under this scheme will become shared-ownership homes, rather than outright owner-occupation or private rented as they would otherwise have been.

160. Increasing overall levels of owner-occupation through such policies will increase the demands upon housing space because, as shown in Annex D, homeowners tend to consume more housing space than renters.

### **3.13 Policy driver 3: Social housing allocation policies**

161. This research found that most districts in the South East are aware of the need to make the best possible use of their housing stock, by minimising voids and using allocation policies to ensure that it is reserved for those most in need of it. Most councils and RSLs attempt to match the size of household to the size of property they need, ensuring that there is neither overcrowding nor under-occupation. These can occur, however, as households change in size and some councils and RSLs encourage under-occupying tenants to downsize, thus freeing up larger properties for overcrowded families. Uptake of these schemes is not often very high; however, as older under-occupiers often prefer to remain in the home they have and appreciate having a spare room.

162. There is also pressure being put upon local authorities and housing associations to review allocation policies in order to allow tenants an extra room so that they can work from home more easily (Dwelly 2002). Some housing associations have already adapted allocation policies so that they can offer new tenants (or new shared owners) an extra room. All the evidence suggests that there is high demand for the extra space, whether or not tenants work from home, yet if these demands are to be met the existing housing stock will be unable to accommodate as many people and so will be used less effectively from this point of view.

### **3.14 Policy driver 4: Empty homes strategies**

163. Several new measures were announced in 2001 which could help reduce the numbers of empty homes:

- 100% capital allowances for the conversion of space above shops into flats

- a reduction of VAT from 17.5% to 5% for the conversion of residential properties into a different number of dwellings
- a reduction of VAT to 5% on refurbishment costs for properties empty over three years
- a 0% VAT rate for sale of properties that have been empty for 10 years or more

164. Various funding sources are available to local authorities and RSLs trying to bring empty properties back into use. The Chartered Institute of Housing briefing paper gives details of these (CIH 2004).

165. In December 2003 local authorities got the right to access council tax information for the purposes of bringing empty property back into use. Since April 2004 they have also been able to charge the full council tax on empty properties which have been empty more than six months. This research found that almost all districts in the South East have taken advantage of this facility and now generally charge the full council tax after six months.

166. Empty dwelling management orders came into force in April 2005. These give local authorities the power to facilitate the capital works needed to allow a property to be used to accommodate people in housing need for up to seven years, without the owner's consent if necessary. The rent that would then be charged would pay back the cost of the improvements. At the end of the period, the property would revert back to the owner, who would have been given training and advice on how to be a landlord. It is too soon to establish fully what the impact has been of this new right, as most local authorities see it as a last resort, to be used only after other means of bringing the property back into use have failed. It seems likely that it will not be exercised a great deal, although the threat of using it may encourage larger numbers of empty-home owners to bring their property back into use.

### **3.15 Policy driver 5: Financial incentives to own housing**

167. Financial incentives to own housing affect the price of housing and also impact on the proportion of housing in owner-occupation as opposed to private renting. Levels of private renting have increased slightly in the region over the past 20 years, fuelled by the deregulation of the private rented sector in the late 1980s which has made private renting a more attractive investment relative to other available investment opportunities. More recently the improved ease of obtaining buy-to-let mortgages appears to have produced a mini-boom in private renting.

168. The current Government has publicly declared a drive to increase the rate of owner-occupation, and some of the policy relating to this, such as Right-to-Buy and Social Homebuy, has been discussed above. There has not, however been much in terms of policy to encourage home ownership as opposed to private renting.

169. Instead, the abolition of subsidy in the form of the Mortgage Interest Tax Relief in April 2000 made home ownership less financially attractive. Policies governing financial structure and tax exemptions can also influence the balance between owner-occupation and private renting. The Government's stated intention is to introduce a new investment vehicle, Real Estate Investment Trusts (REITs), following their successful implementation in other

countries. REITs benefit from tax exemptions and are created when a corporation (or trust) uses investors' money to purchase and operate income properties, providing rental income to the investors. Investors spread the risk inherent with owning a single property and can buy and sell their shares with ease. It is hoped that these will boost the property commercial investment market, but they also operate with residential property. This development is likely to make it easier for small investors to invest in housing and so could increase the size of the private rented market.

170. Counterbalancing this, the stamp duty threshold has recently been raised, which could have a small impact on encouraging those entering owner-occupation.

171. There are also policy drivers that could reduce (or increase) demand for housing space, both rented and bought, such as rising rates of council tax which make larger properties more expensive to buy or rent, and in principle the impact of rising fuel and utility prices. However, the impact of these could be to reduce demand for larger, less fuel- and resource-efficient property, and to increase demand for more efficient "eco-homes".

172. In relation to second homes, nearly all districts in the South East now charge the maximum permitted 90% council tax on second homes. This had previously been suggested as a means of curtailing demand for second homes (CML 2001), but council tax remains a relatively small component of total housing costs and the impact is not likely to be huge, especially given the higher disposable incomes of second-home owners. This is especially the case in a rising housing market where there are substantial potential equity gains from owning property.

### **3.16 Policy driver 6: Lifetime Homes**

173. The policy concept of Lifetime Homes involves the idea that all new homes should be built to be suitable for their residents to remain in if they develop mobility difficulties. There is also a policy drive to adapt existing housing wherever practicable to meet the needs of residents with mobility difficulties. The majority of elderly people wish to remain in their own homes for as long as possible, and social care systems have adapted to enable them to do so whenever it is feasible. As more homes are made suitable for residents with mobility difficulties (for instance, by having stairlifts or wheelchair ramps fitted) it will become increasingly possible for elderly or disabled people to live within the general housing stock. This will decrease the need for specialist sheltered housing, but will increase pressure upon the general housing stock, in both the social and private sectors.

### **3.17 Policy driver 7: The Decent Homes Standard**

174. The Government made a commitment six years ago to raise the standard of public-sector homes. As discussed in Chapter 2, the Decent Homes initiative has in this period been driving up standards in the social sector. The Housing Act 2004 sets a target for 100% of all social housing to meet the Decent Homes Standard by 2010. Councils and RSLs across the South East are currently working towards this with their stock. Many councils are pursuing stock transfer over to RSLs in order to raise the funds needed.

175. In the private sector, the Government has set a target to reduce to 30% the proportion of vulnerable households living in non-decent homes. The proportion currently



stands at 36.4% (Groves, Sankey and Tice 2006). In addition, local authorities operate private-sector housing renewal strategies, encouraged by the 2004 Housing Act to adopt an enabling role to prevent deterioration of the housing stock, reflecting local housing market conditions.

176. More ambitious plans outlined by the DCLG are expected to supersede the current Decent Homes Standard and although no target has been set for “aspirational Decent Homes Plus”, as it is still at the concept stage, it is expected that it will be in place around 2015-20. It is anticipated that the Decent Homes Plus standard will incorporate (among other targets) accessibility standards for the elderly, and internal noise reduction through insulation between dwellings. (Source: [www.decenthomesstandard.co.uk/updates/plus](http://www.decenthomesstandard.co.uk/updates/plus)).

## 4. *Future use of the housing stock*

### Key findings

- *Aspects of housing that will not change:* The current pattern of usage will have a major impact upon usage in 20 years time. 80% of the 2026 housing stock already exists.
- *Tenure* – Social housing sector is likely to continue to decline as a proportion of the existing stock.
- *Future housing markets* – The overall trend is likely to be towards worsening affordability. There are strong drivers suggesting that the location of housing demand could shift somewhat away from London towards attractive areas, especially along the South coast, unless policy is successful in reversing this trend. Changing working patterns together with an increasing population of pensioners mean that more households are likely to be freer to choose where they live.
- *Occupancy* - It is income and equity already acquired in the housing market that are the major influences on housing consumption, much more so than household size and type. Levels of under-occupation are likely to increase over the next 20 years, largely in the owner-occupied sector.
- *Sharing and communal establishments* – Housing with facilities shared with other households will remain a very small component of the total housing stock. Multi-adult households will rise, especially in areas where there are increasing numbers of students.
- *Rates of empty properties* – These are already very low and may fall further in areas where rates are highest.
- *Demand for second homes* – Economic buoyancy is a key driver, so as long as the economy and housing market remain strong, demand for second homes will continue to increase.
- *Extensions and conversions* – Extensions are likely to continue to enlarge the average size of existing dwellings.
- *Stock condition* – Increasing prosperity, together with government initiatives are likely to reduce the proportion of unfit private housing in future.
- *Resource efficiency* – As the housing stock ages, unless changes are made to both the housing and behaviour, energy efficiency will get worse. Without dramatic reversals in worldwide CO<sub>2</sub> emissions the existing housing stock will probably need to adapt to cope with weather extremes, such as flooding and drought.

### 4.1 **Then and now: changes over the last twenty years**

177. Looking back to the early 1980s gives an indication of the scale of changes to the use of the housing stock that can take place in a twenty year period. In 1981, 23% of households in the South East lived in social rented housing. The impact of the Right-to-Buy policy was yet to be felt. Lone parent households made up less than 2% of the total household

population of the South East, compared with nearly 8% today. Larger families were more common and nearly twice as many households were overcrowded.

178. Affordability was less of an issue, whereas the condition of housing was still of some concern particularly in poorer neighbourhoods. Even in 1991, the proportion of households lacking basic amenities in the South East was more than twice what it is today. Environmental issues and the need for resource efficiency were only just beginning to come to public and political awareness and very little government policy directly addressed the need to create sustainable resource-efficient housing.

### **What will not change?**

179. According to the South East Plan, 80% of households in the South East in 2026 are likely to be living in housing that is already there now, and only 20% in housing that is expected to be built during the next twenty years. The location and to a large extent the type of the housing (i.e. flats, terrace, etc) are not going to change over this period. In addition, many of the factors driving housing consumption are deep-rooted and not factors that governments or external forces are likely to alter. It has been pointed out that “it is difficult to see how trends in population ageing, household formation and dissolution, tenure or space consumption aspirations will alter dramatically over the next 20 years.” (Stewart 2005).

180. Nevertheless, looking ahead 20 years, it is clear that some things will change, just as things have changed in the last 20 years.

## **4.2 Future tenure**

181. Economic factors are the main driver behind changes in tenure between private renting and owner-occupation. Relevant factors are mortgage interest rates, income levels, property prices and rental costs, and the value of alternative returns on assets. Some of these are hard to predict and it is therefore difficult to make detailed predictions on changes between private renting and owner-occupation. The aspiration for home ownership is currently very strong. There is not much evidence that this is likely to change, and the current government policy agenda is also encouraging owner-occupation. The government’s target of 75% home ownership has already been achieved in the South East, but it is possible that levels could increase if nationwide policies are developed which encourage higher levels of home ownership. The changing age structure also places more households in the age groups likely to seek owner-occupation.

182. The overall direction of all the drivers, however, suggests that the private rented sector may well continue a slow growth over the next 20 years, fuelled by the value of housing as an investment asset and increasing availability of buy-to-let mortgages. Inherited wealth may help some older first-time buyers to become owner-occupiers but most housing wealth is likely to be inherited by people aged over 45, most of whom will already own housing. This may fuel a buy-to-let market. The development of REITs may also drive the private rented sector.

183. Policy drivers are paramount in terms of changes between social housing and private sector. Social Homebuy and the Right-to-Buy both transfer homes from the social rented sector into private ownership, but Open Market Homebuy works the other way, making a privately owned property into a shared-ownership home. Levels of funding for

Open Market Homebuy will largely determine the scale of its impact, together with its popularity and economic factors affecting the scale of demand and need for the scheme. Uptake of the Right-to-Buy will likely be lower than it has been over the past 20 years because the discounts have been capped (and therefore fall in real terms), while house prices have risen. Households now have to remain in their home for longer in order to be eligible, and an increasing proportion of social tenants do not have the Right-to-Buy as they are RSL tenants. RSLs have the discretion as to whether to offer Social Homebuy to their tenants, and it is currently too soon to establish what the uptake will be. Nevertheless, it seems likely that the overall net impact of these policies will be that an increasing proportion of the existing housing stock will be privately owned or in shared ownership and that social rented housing will form a smaller part.

### **4.3 Future housing markets**

184. The housing market in the UK is hard to predict and likely to suffer from both booms and slumps over the next 20 years, at unpredictable times. The overall trend is likely to be towards worsening affordability. The main drivers behind affordability are demographic (increasing numbers of households), policy (rates of housebuilding), and economic (income levels, levels of inherited wealth, and interest rates).

185. Some seaside resorts, especially in parts of Kent have seen some economic decline over recent years. It can be predicted that this trend may well continue as some come to rely on pensioners' day trips for business. Hotel and bed-and-breakfast accommodation may no longer be needed for holidaymakers, so may instead be turned to housing for the poor unable to afford to live elsewhere. The likelihood is that even in these areas, housing demand will remain strong, fuelled by retirement, second homes and home-workers, but any areas that do not offer housing that appeals to these groups, or are seen as unattractive may be the most vulnerable to any problems of low demand, should there be a downturn in the housing market.

186. This research, however, suggests that the location of housing demand however, is likely to shift somewhat away from London towards more attractive areas, especially along the south coast. Our analysis shows that these are the areas commonly chosen by retired people who no longer need to live near to their place of work. Changing working patterns together with an increasing population of pensioners mean that more households are likely to be freer to choose where they live. This is likely to mean that there will be a continuing trend for higher-income households to move from urban to rural areas, thus fuelling house prices in the more attractive rural locations, whilst lessening pressure in some less attractive urban areas.

### **4.4 Future occupancy: under-occupation and overcrowding**

187. The drivers behind levels of under-occupation and overcrowding are largely an interaction of demographics, existing rates of owner-occupation, and economic factors. Policy plays a smaller part.

188. It has been pointed out that as household sizes in Britain are larger than those in many other European countries, the numbers of households have the potential to continue

increasing and average household size decreasing (Holmans and Whitehead 2005). The problem this poses for the existing housing stock is that it is income and equity already acquired in the housing market that are the major influences on housing consumption, much more so than household size and type. Older and better-off households choose to occupy the larger houses, and poorer, younger households are more likely to be overcrowded.

189. Financial incentives already exist, in the form of lower utility bills and council tax, to encourage under-occupiers to downsize, but as has been discussed earlier, many other factors are important to older households and most are reluctant to move unless they are unable to move about their own home. The policy concept of “Lifetime Homes” together with advances in technology mean that increasing numbers of frail elderly people in the future will be able to stay in their own homes, and all the evidence suggests that most will.

190. It has been suggested in the literature that “under-occupation of homes by elderly people living on their own, who may not be able to afford to keep the place up, could be supplemented by ‘paying guests’ or lodgers, including key workers” (Urbed 2004). The evidence does not, however, suggest that this is happening substantially at present, although there are some schemes in place encouraging and supporting this kind of initiative.

191. Another way in which the existing housing stock can be used by the elderly population is through equity release. This allows older people to continue to live in their home, whilst selling a proportion of the home, either for a lump sum or for a guaranteed income for life. The company buying the share of the home only gets its asset when the home is sold (usually after the occupants die).

192. In the longer term, future housing consumption by those currently under 45 will however be constrained by supply and may be different. This generation are entering the housing market later so may not ever be occupying such large properties. The impact of this in terms of lower levels of under-occupation when their children leave home will not, however, be felt substantially within the next 20 years.

193. Overall, this research suggests that levels of under-occupation are likely to increase over the next 20 years, largely in the owner-occupied sector. Overcrowding has steadily decreased over the last 30 years and the main driver behind this has been the reduction in the numbers of larger families, who were most likely to be overcrowded. This trend is continuing. However, overcrowding is currently much higher in London than in the rest of the country, suggesting that as affordability worsens, overcrowding levels may cease to decline so fast.

## **4.5 Future shared dwellings and communal establishments**

194. The average age at which young people become independent householders is gradually increasing, along with the average age of first-time buyers. Average ages of cohabitation (including marriage) and of childbirth have also increased. These trends look set to continue for the immediate future. The resulting single childless population (including most students) are the most likely group to live in shared housing; however, analysis suggests that levels of shared housing did not change between 1991 and 2001. Other research has suggested that non-students tend not to live in shared housing if they can afford independent

housing. The distribution of shared housing bears this out by showing that it tends to exist mainly in towns and cities where there are lots of students, with very low levels elsewhere. It would therefore take a worsening of affordability, alongside the demographic drivers, to increase the numbers of shared dwellings, although policy drivers in the form of planning legislation may play a part here too.

195. The numbers of people living in communal establishments have fallen steadily over the last 20 years. Despite the ageing population, the numbers of people in elderly people's homes has reduced slightly in the last ten years, as a result of elderly people being increasingly willing and able to remain in their own homes, and a policy drive supporting this wherever possible. A similar policy driver has supported the housing of those with other support needs (such as those with mental illness) in independent housing wherever possible. It is hard to establish whether the numbers in communal establishments are likely to fall any further, but they seem unlikely to rise.

196. This is however against a backdrop of an aging population. In place of these establishments there will therefore be increased need for housing suitable for elderly people within the general housing stock. This may come in the form of warden-assisted housing, or floating support to frail elderly people living in their own houses. There are also future possibilities whose potential has not yet been fully recognised in the UK. Co-housing schemes can be popular with families and older people alike and offer the lower levels of support and community that many older people seek, rather than residential care which is increasingly seen as a last resort by a generation that value independence and are increasingly likely to be living alone. Co-housing generally involves residents owning their own homes (possibly on a leasehold basis) and sharing in communal facilities such as gardens, office space or laundry facilities. Demand for individual household space may be reduced because of greater levels of shared facilities. In addition, older households may be persuaded to vacate larger family houses in order to move into co-housing projects. A greater sense of community is fostered, as residents know one another. One in 20 Danes live in such communities but they are currently very scarce in the UK. Planning obstacles, the high price of housing and lack of knowledge about co-housing all serve to make it difficult for new groups to establish themselves. Financial backing is often needed in order to get these projects established, as well as information and support for those who would like to set up co-housing schemes. However if these hurdles could be overcome, there may well be demand for these kinds of schemes in the future, either in the form of new built housing, or adaptations to the existing stock.

## **4.6 Future rates of empty properties**

197. The number of empty properties has decreased over the last ten years. The main driver behind the decrease is the buoyant housing market. As discussed above, the overall trend is likely to be towards a higher-priced market, meaning that rates should remain low. It is unclear how much potential there is in many parts of the South East for levels of empty properties to decrease much further, as rates in many districts are below the 2% generally taken to be normal and necessary for a functioning housing system. It therefore seems likely that when the reasons for the vacancies are examined in detail the picture may well be similar to that found in South Shropshire where out of 800 empty homes, only 40 were identified as empty on a long-term basis and capable of being returned to use at a reasonable cost<sup>20</sup>. The

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<sup>20</sup> Affordable Rural Housing Commission Report May 2006.

number of long-term empty properties in many districts is very low. Differences between districts in the South East do however suggest that there is potential in some districts to further reduce the numbers of empty properties, particularly in parts of Kent. Policy on this has changed recently, and it is possible that the new powers given to local authorities could serve further to reduce levels of empty properties. This is likely to have the most impact in the areas where levels are highest and where there are long-term empty properties.

## **4.7 Future demand for second homes**

198. The important drivers behind demand for second homes are economic, in the form of levels of affluence, and social, in the form of aspirations and the perceived quality-of-life benefits offered by a second home.

199. Some other European countries, such as Spain, France and Italy, have much higher levels of second-home ownership (Eurostat), suggesting that in England, too, there may be potential demand in the future. An estimated 15% of properties in Spain are second homes.

200. Demographic drivers suggest that the age at which people are likely to be looking for second homes is increasing over the next 20 years. In addition this age group are more likely than before to be inheriting wealth, which could fuel demand for second homes.

201. Some recently built housing in rural areas has restrictions placed upon it forbidding its sale as a second home. Such properties form only a small proportion of the housing stock, so prospective second-home purchasers are still very able to find property without restrictions. If similar restrictions are placed upon properties built during the next 20 years, this may increase the demand for second homes within the current housing stock in some areas, as only these properties will be available to second-home owners. Overall demand for second homes is not likely to be significantly altered by such policies as the vast majority of properties on the market will still be available to all purchasers.

202. The increase in council tax offers a relatively small disincentive to own a second home. It has been pointed out that a greater fiscal incentive on second-home ownership is effectively offered to unmarried couples who can avoid capital gains tax on a second home. The number of unmarried couple households is increasing, and starting to include more older households, who are more likely to be able to afford a second home (CML 2001), so this may increase demand.

203. A more powerful driver still, however, is the strength of the economy and housing market. The last time there was a downturn, in the 1990s, there was a reduction in the demand for second homes (CML 2001). Conversely a strong economy and housing market are likely to fuel demand for second homes.

204. One of the least predictable aspects, however, is the relative popularity of second homes abroad. As discussed above, factors such as the availability of cheap air travel, performance of foreign property markets, value of the pound and changing tastes in foreign travel all impact upon this market. There is a high level of uncertainty surrounding these factors.

205. Overall, however, as long as the economy and housing market remain strong, it seems likely that demand for second homes is likely to continue to increase in the South East.

## **4.8 Future rates of extensions and conversions**

206. Extensions have been a major source of the growth of larger properties in the South East. This is especially the case in rural areas. A strong housing market, alongside restrictions on new building, provides an economic incentive to convert existing stock. Planning legislation plays a part here too, as does the physical potential of the current stock for conversions. Overall it seems likely that extensions will continue to enlarge the existing stock, adding to the supply of larger houses. This will help meet demand for larger homes, but may make it harder (especially in high-priced rural areas) for new households to afford a home, as the supply of smaller homes is depleted.

207. Conversions of larger houses into smaller ones have also supplied a proportion of the extra housing provided over the last 20 years, although this varies considerably between counties in the region. Factors such as a new university (or the expansion of existing ones) would fuel the market for subdividing larger units.

208. The type of new housing built is also a factor here. As discussed above, the building of smaller units may mean that it becomes economically attractive for a household to purchase two adjoining dwellings (or a house that has been converted into flats) and knock housing together to form a single, larger dwelling. This may offset the gains to the existing stock from conversions in the future.

## **4.9 Future stock condition**

209. The main driver for private sector stock is economic: as prosperity increases, so too does stock condition. Counterbalancing this, however, will be an increase in the elderly population in the future: older people are the most likely group to be living in poor-condition private sector housing. Financial help offered to poorer owner-occupiers should help to reduce the impact of this trend. Also many improvements to housing (such as the installation of central heating or double glazing) require a one-off investment and are afterwards retained for future occupiers. Overall, the trend is likely to be towards lower levels of unfit private housing in the future.

210. The main driver in the social sector is policy. The Decent Homes Standard aims to bring all social sector stock to a minimum standard by 2010.

## **4.10 Future resource efficiency**

211. The main drivers behind resource efficiency in the future are environmental drivers and their relationship with demographic, technological, economic and political drivers.

212. The current housing stock contributes significantly to overall CO<sub>2</sub> emissions, more than any other sector. Obviously, as the housing stock ages, unless changes are made to the existing housing stock and to behaviour, energy efficiency will get worse and more homes will be affected. Given this, the current state of the existing stock indicates that households would find it difficult to reduce their CO<sub>2</sub> emissions to assist in the meeting of the



UK's target on carbon emission reduction. Increasing demand for energy in the home as a result of a booming economy could increase CO<sub>2</sub> emissions of the housing stock, as could homeworking, although there could be expected to be an overall saving due to reduction in travel.

213. Increased demand for energy could be curtailed to some extent by increased energy costs for consumers. This could also result in a demand for smaller houses or for more energy-efficient homes or those which generate their own electricity. This may dampen the demand for larger homes which has been the trend to date. Large increases in oil prices could also affect where people want to live, as car use becomes more of a luxury.

214. The impacts of climate change have already been witnessed on a small scale. Subsidence has been on the increase and storms have resulted in damage to houses. Higher temperatures in 2004 led to a large number of heat-related deaths across Europe, many of which were elderly people within their homes. An ageing population coupled with increasingly hot summers, particularly in urban areas, with the urban heat island effect, is likely to make the impact of summers such as 2004 on the elderly more commonplace.

215. Unless there are dramatic reversals in worldwide CO<sub>2</sub> emissions the existing housing stock will probably need to adapt to cope with these weather extremes.

216. The impact of climate change is likely to bring an increase in flooding. There is already evidence of the impact of flooding, with around 235,000 properties in the South East at risk of flooding, a number that is expected to rise in the future. This risk of flooding and the inability to cope is also exacerbated by the potential removal of insurance from houses in at-risk areas, which is already threatened in the Thames Gateway ([www.environment-agency.gov.uk](http://www.environment-agency.gov.uk)).

217. Climate change, coupled with an increase in the number of households, is expected to bring a greater demand for water, alongside a reduction in water availability. Forecasts from the Environment Agency estimate that water demand will increase by 10% between 2003/04 and 2030. Whilst an increased number of houses will undoubtedly have an impact, the forecasts indicate an underlying trend of increased consumption in addition to increased housing.

218. This problem is not just one for the future, as witnessed by the imposition of hosepipe bans across the South East in 2006. Whilst hosepipe bans and more severe measures have been introduced before, it is expected that climate change will increase the frequency of such measures.

219. In all cases, technological development could assist in addressing climate change and the decreasing availability of energy resources. An energy or technological solution may emerge which will either ensure that we have sufficient energy from an alternative source (e.g. hydrogen, nuclear) or need less energy in the first place (e.g. more energy-efficient devices). This may require either no change or significant adaptations to the existing housing stock.

## 5. *Conclusions*

### **Key conclusions**

- There are some powerful drivers mitigating against efforts to make better use of the existing stock in meeting both demands and needs for housing in the South East over the next 20 years. Most importantly, increased demand for space and increasing affluence will enable more people to “under-occupy”.
- There is some potential for the conversion of larger dwellings into two or more smaller ones, and for meeting the demand for larger houses by extending existing dwellings.
- Reducing vacancy rates could bring benefits, but rates are already low by both national and international standards, so the potential is limited.
- Second home ownership is likely to continue its slow increase. It is concentrated in areas where housing demand is likely to grow most strongly so growth in second homes will reduce the available housing stock in areas where it is most needed.
- There are some tensions between different policy objectives. Meeting the needs and demands of one group of households may come at the expense of meeting the needs and demands of another.
- Demand for water and power is likely to increase, although supply may not be able to meet demands at current prices. This, coupled with an increasingly urgent need to reduce CO<sub>2</sub> emissions, is likely to lead to rising utility and water prices and/or shortages.

220. The overall conclusion of this report has to be that there are some forceful drivers mitigating against efforts to make better use of the existing stock in terms of meeting both the needs and the demands of the population of the South East over the next 20 years. Analysis of all the drivers suggests that there are likely to be higher levels of under-occupation, which represents a poor use of the housing stock in terms of meeting need alone, although the stock will be meeting the aspirations of the better-off. As real incomes increase, so too do housing aspirations.

### **Housing demand**

221. Environmental drivers are likely to lead to increased energy and water costs, leading in turn to a decrease in demand for larger more resource-inefficient housing. The price rise would have to be quite severe, however to combat the effect of inherited wealth and high incomes which will increase housing demand. Overall the increasing demand cannot all be met through the existing housing stock. As affordability worsens, growing numbers of households are unable to afford to meet their needs in the market and so are in need of the relatively modest supply (by national standards) of affordable housing. More could be done to encourage better use of the affordable housing stock, but the impact is likely again to be fairly limited, compared with the impact of decreasing affordability.

### **Enlargements and conversions**

222. The analysis carried out in annexes E and F does however suggest that there may be some continuing potential for enlargements of the existing stock enabling households to meet their needs and aspirations, without compromising the needs of other households seeking larger housing. Conversions of larger dwellings into two or more smaller ones has a smaller impact in total, relative to the number of new dwellings built, but this varies quite considerably across the region and could make some contribution to the future housing requirements, given the right economic conditions, physical potential of the existing housing stock, and conducive planning legislation.

### **Empty properties**

223. Efforts to reduce the levels of empty homes can bring benefits, but throughout most of the South East, there is little potential to make significant increases to the housing stock through bringing empty properties back into use. The Affordable Rural Housing Commission has very recently examined this issue and concluded that “we are realistic about what this could deliver....and at 3.2% vacancy rates appear low by international standards”. Vacancy rates in the South East are lower still. The exceptions to this are in Thanet and Shepway, where empty homes present more of a challenge, but also offer more potential to increase the stock of inhabited housing.

### **Second homes**

224. Second home ownership is likely to continue slowly increasing. It is not, currently, a large part of the existing housing stock, but is highly localised in its location. As figures 2.21 and 3.5 show, the areas with high numbers of second homes are very much the same areas as have large proportions of retired people: mostly along the south coast. Our demographic analysis suggests that these are the areas in which housing demand is likely to grow most strongly in coming years. With an increasingly mobile workforce and larger retired population, second homes will reduce the available housing stock in the areas where it is needed most. Offsetting this to some extent may however be the growth of the overseas second home market. This has grown faster than the domestic market over the last ten years. The UK has seen a more severe housing boom than many other European countries, meaning that it is now easier to afford a second home in many other countries. The availability of cheap air travel, coupled with an increased interest in foreign travel means that this market may grow, somewhat at the expense of the domestic second home market over the next 20 years, but this is likely to mean reducing the speed at which the market grows, rather than reducing its share of the housing stock.

225. Overall, the condition of the housing stock is likely to improve over the next 20 years dependent on continued economic growth and no strong acceleration of climate change, and so the proportion of households living in high quality housing should increase. The speed at which this will happen is however subject to both economic factors and levels of investment. In terms of resource-consumption, the current trends are towards increased energy consumption, fuelled by prosperity and technological advances increasing energy demands. An increasing environmental awareness at both the household and governmental level, together with international pressure to meet UK’s target on carbon emission reduction will act against these drivers. Technological advances may help to bridge the gap between high demands and a need to limit consumption. Many new technologies may take some time, however, to become established. Even old technologies such as loft insulation are not currently in place in the existing housing stock, which in many respects lags behind new construction. Climate change will increase the incidence of flooding, which could affect a large numbers of households in the South East. The impact of higher temperatures, high wind

speeds and subsidence over the next 20 years on the housing stock in the South East is less clear. Government support, funding and regulation are often needed, as well as an ambitious Decent Homes Plus standard that gives high priority to energy-saving measures.

## 5.1 Conflicting priorities

226. The aim of this research project has been to consider how better use could be made of the existing stock in terms of accommodating future housing need and demand in the form of high quality housing. The research has identified a few areas where conflicts exist within this objective which are discussed here. In particular, there are difficulties around how the existing stock can meet both aspirations and demands of all households whilst also meeting housing needs. To “under-occupy” housing is an aspiration of many households, as is second home ownership. Yet the housing needs of those unable to afford market housing cannot easily be met within the existing stock, whilst also allowing it to meet these aspirations of better-off households. Some specific policy decisions will inevitably have to weigh up these objectives:

227. The Right-to-Buy policy helps meet the tenure aspirations of current social sector tenants. It can also help to break up high concentrations of social housing associated with social exclusion and stigma, and therefore contribute to more sustainable communities. However levels of under-occupancy are higher in owner-occupied housing and so losing social sector stock in this way is likely to lead to increasing levels of under-occupation. It may also increase overcrowding in the remaining social sector housing and amongst those seeking it because a shortage of affordable housing makes it harder for those who do not aspire to (or cannot afford) home-ownership, but do want secure affordable housing to meet their aspirations, or even their basic needs. More generally, higher levels of privately owned housing mean that there is less opportunity to influence the use of the stock than if it were in public hands.

228. There are a number of questions around whether it is more suitable to retrofit existing homes or demolish existing non-resource efficient homes and build more efficient homes. On the side of demolition there is the opportunity to replace a non-resource efficient home with one that is built to a high standard of resource efficiency and uses brownfield land. On the other there is the waste created through demolition, the resources needed to build new houses and oftentimes the removal of an older built environment, which are not listed buildings. Best Foot Forward (2006) have highlighted that over the lifetime of the home, it is more resource efficient to replace some of the existing housing stock. In contrast English Heritage have shown that the cost of repairing a typical Victorian terraced house can be between 40-60% cheaper than replacing it with a new home (English Heritage 2003) and a recent study by the Building Research Establishment (2003) suggests a 20% saving in environmental impact through refurbishment, and 12% saving in whole life costs, largely due to the saving in demolition and materials that would be involved in redevelopment (Sustainable Development Commission 2006).

229. Meeting the aspirations of elderly households to remain in their own home is in conflict with making best use of the stock in terms of occupancy; many elderly people are living in properties larger than they “need”, whilst larger families are often overcrowded and in need of larger housing. Policies, either in place, or that have been suggested to assist elderly households to remain in their own home include:

- The policy concept of Lifetime Homes, whereby homes are built, or adapted to be suitable for their residents to remain in if they develop mobility difficulties.
- Encouraging the development and use of new technologies that can alert authorities when someone needs help.
- Reducing council tax for pensioners in larger homes, or moving to a system of local income tax (instead of council tax).
- Schemes that allow an elderly household to sell part of their home on a shared ownership basis but continue to live in it for the rest of their life.
- Schemes helping poorer older-occupiers to maintain their property.

230. All of these policies could help meet the aspirations of the elderly population, but may actively discourage downsizing, so are likely to make it harder for larger families to find suitable housing. Conversely, higher council tax on larger dwellings to encourage older home-owners to trade down has been suggested to combat under-occupation by older home-owners. This seems an unlikely policy change given the current climate of opposition to any council tax rises, which comes especially from older home owners in larger properties. There also remains a valid query as to whether this would even be sufficient to encourage older home-owners to trade down.

231. Policy decisions in these areas are difficult, often highly political and require a sensitive balancing of the needs of different groups. Despite these areas of difficulty, there is however, much that can be done to make the best possible use of the existing stock, without necessarily involving compromises.

## Annex A: Supporting tables

Figure 2.1 supporting table: Type of dwelling by household in the South East (2001)

| Dwelling type                                  | Number    | % of total household spaces |
|--|-----------|-----------------------------|
| Detached house or bungalow                     | 996,140   | 29.3                        |
| Semi-detached house or bungalow                | 967,850   | 28.5                        |
| Terrace house                                  | 786,473   | 23.1                        |
| Flat or maisonette                             | 614,581   | 18.1                        |
| Caravan or other mobile or temporary structure | 23,631    | 0.7                         |
| In a shared dwelling                           | 13,145    | 0.4                         |
| Total household spaces                         | 3,401,820 | 100.0                       |

Source: 2001 Census

Figure 2.5 supporting table: Trends in tenure

| Tenure type                                  | 1971      | 1981      | 1991      | 2001      |
|--|-----------|-----------|-----------|-----------|
| Owned and buying (includes shared ownership) | 1,270,765 | 1,632,983 | 2,172,282 | 2,431,459 |
| Private sector renting                       | 471,404   | 231,242   | 223,476   | 288,190   |
| Public sector and HA renting                 | 485,073   | 586,730   | 475,095   | 458,965   |
| Other tenure types                           | 24,991    | 97,110    | 95,859    | 108,875   |

Source: Census

Figure 2.8 supporting table: Occupancy levels

| Occupancy level                         | Number    | % of total household spaces |
|---|-----------|-----------------------------|
| Second homes                            | 23,030    | 0.7                         |
| Vacant                                  | 91,301    | 2.7                         |
| Two or more bedrooms more than standard | 1,754,894 | 51.6                        |
| One bedroom more than standard          | 784,453   | 23.1                        |
| No bedrooms more than standard          | 552,750   | 16.2                        |
| One bedroom less than standard          | 145,655   | 4.3                         |
| Two or more bedrooms less than standard | 49,737    | 1.5                         |
| Total household spaces                  | 3,401,820 | 100.0                       |

Source: 2001 Census

Figure 2.13 supporting table: Residents of communal establishments

| Number of residents              | 1971    | 1981    | 1991    | 2001    |
|----------------------------------|---------|---------|---------|---------|
| Total                            | 286,648 | 225,875 | 220,006 | 176,436 |
| In non-psychiatric hospitals     | 44,088  | 39,774  | 22,847  | 3660    |
| In psychiatric hospitals         | 40,57   | 30,452  | 8292    | 2117    |
| In children's homes              | 8652    | 4426    | 1857    | 545     |
| In old people's homes            | 29,670  | 38,044  | 61,457  | 54,882  |
| In other communal establishments | 161,971 | 111,558 | 125,553 | 115,232 |

Source: Census

Figure 2.26 supporting table: Dwelling conditions in the social sector 1996, 2001 and 2003

|                    | 1996   |            |       | 2001   |            |       | 2003   |            |       |
|--------------------|--------|------------|-------|--------|------------|-------|--------|------------|-------|
|                    | decent | non-decent | total | decent | non-decent | total | decent | non-decent | total |
| Number (thousands) |        |            |       |        |            |       |        |            |       |
| LA                 | 1600   | 1869       | 3469  | 1637   | 1174       | 2812  | 1485   | 972        | 2457  |
| RSL                | 493    | 448        | 941   | 952    | 472        | 1424  | 1154   | 467        | 1621  |
| All Social         | 2092   | 2318       | 4410  | 2589   | 1647       | 4236  | 2639   | 1439       | 4078  |
| Percentage         |        |            |       |        |            |       |        |            |       |
| LA                 | 46.1   | 53.9       | 100   | 58.2   | 41.8       | 100   | 60.4   | 39.6       | 100   |
| RSL                | 52.4   | 47.6       | 100   | 66.8   | 33.2       | 100   | 71.2   | 28.8       | 100   |
| All Social         | 47.4   | 52.6       | 100   | 61.1   | 38.9       | 100   | 64.7   | 35.3       | 100   |

Source: English HCS 2003

Figure 2.28 supporting table: Annual CO<sub>2</sub> emissions per dwelling

| <i>Government Office regions and NUTS4 Areas</i> | <i>kg CO<sub>2</sub>/ Dwelling</i> |
|--|------------------------------------|
| <b>AVERAGE SOUTH EAST</b>                        | <b>5808</b>                        |
| Adur   | 4385                               |
| Arun   | 5282                               |
| Ashford  | 5892                               |
| Aylesbury Vale                                   | 6406                               |
| Basingstoke and Deane                            | 5720                               |
| Bracknell Forest                                 | 5745                               |
| Brighton & Hove                                  | 4905                               |
| Canterbury                                       | 5388                               |
| Cherwell   | 6012                               |
| Chichester                                       | 5919                               |
| Chiltern   | 7421                               |
| Crawley  | 5850                               |
| Dartford   | 5430                               |
| Dover  | 5266                               |
| East Hampshire                                   | 6892                               |
| Eastbourne                                       | 3296                               |
| Eastleigh  | 5824                               |
| Elmbridge  | 6560                               |
| Epsom and Ewell                                  | 5358                               |
| Fareham  | 6026                               |
| Gosport  | 4247                               |
| Gravesham  | 5406                               |
| Guildford  | 6282                               |
| Hart   | 6277                               |
| Hastings   | 4469                               |
| Havant   | 5444                               |
| Horsham  | 6438                               |
| Isle of Wight                                    | 5214                               |
| Lewes  | (see note 1)                       |
| Maidstone  | 6066                               |
| Medway   | 4996                               |
| Mid Sussex                                       | 5546                               |
| Milton Keynes                                    | 5414                               |
| Mole Valley                                      | 6928                               |
| New Forest                                       | 5997                               |
| Oxford   | 5024                               |
| Portsmouth                                       | 4675                               |
| Reading  | 6189                               |
| Reigate and Banstead                             | 6360                               |
| Rother   | 5637                               |
| Runnymede  | 6894                               |
| Rushmoor   | (see note 1)                       |
| Sevenoaks  | 6463                               |
| Shepway  | 5671                               |
| Slough   | 4946                               |
| South Bucks                                      | (see note 1)                       |
| South Oxfordshire                                | 7356                               |
| Southampton                                      | 4563                               |
| Spelthorne                                       | (see note 1)                       |
| Surrey Heath                                     | 7477                               |
| Swale  | 5405                               |
| Tandridge  | 6454                               |
| Test Valley                                      | (see note 1)                       |
| Thanet   | 5020                               |
| Tonbridge and Malling                            | 6666                               |
| Tunbridge Wells                                  | 6054                               |
| Vale of White Horse                              | 5688                               |
| Waverley   | 6471                               |
| Wealden  | 6881                               |
| West Berkshire                                   | 6311                               |
| West Oxfordshire                                 | 6083                               |
| Winchester                                       | (see note 1)                       |
| Windsor and Maidenhead                           | 6307                               |

|           |      |
|-----------|------|
| Woking    | 6296 |
| Wokingham | 6179 |

|          |              |
|----------|--------------|
| Worthing | 5275         |
| Wycombe  | (see note 1) |

Note 1: Missing data is indicated where data from these local authorities is not considered accurate enough to include.

*Figure 3.3 supporting table: Summary of 2003-based population projection for the South East Government Office Region*

| <b>Numbers of residents (thousands)</b> |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | Totals      |             |             | Changes     |             |             |
| Age                                     | 2001        | 2011        | 2021        | 2001-11     | 2011-21     | 2001-21     |
| Under 20                                | 1980        | 1963        | 1971        | -17         | +8          | -9          |
| 20-29                                   | 967         | 1051        | 1054        | +84         | +3          | +87         |
| 30-44                                   | 1818        | 1697        | 1713        | -121        | +16         | -105        |
| 45-54                                   | 1086        | 1213        | 1189        | +127        | -24         | +103        |
| 55-64                                   | 862         | 1025        | 1163        | +163        | +138        | +310        |
| 65-74                                   | 669         | 770         | 930         | +101        | +160        | +261        |
| 75-84                                   | 465         | 499         | 615         | +34         | +116        | +150        |
| 85 and over                             | 176         | 217         | 275         | +41         | +58         | +99         |
| <b>Total</b>                            | <b>8023</b> | <b>8435</b> | <b>8910</b> | <b>+412</b> | <b>+475</b> | <b>+887</b> |

Source: Office for National Statistics

*Figure 3.4 supporting table: Household size by number of bedrooms in property in the South East*

| Number of people in household |                   | Number of bedrooms |      |      |      |           |
|-------------------------------|-------------------|--------------------|------|------|------|-----------|
|                               |                   | 1                  | 2    | 3    | 4    | 5 or more |
| 1                             | Count (thousands) | 1689               | 2245 | 2093 | 399  | 73        |
|                               | %                 | 77%                | 42%  | 22%  | 13%  | 10%       |
| 2                             | Count (thousands) | 453                | 2157 | 3545 | 1019 | 195       |
|                               | %                 | 21%                | 40%  | 38%  | 34%  | 28%       |
| 3                             | Count (thousands) | 45                 | 594  | 1667 | 541  | 107       |
|                               | %                 | 2%                 | 11%  | 18%  | 18%  | 16%       |
| 4                             | Count (thousands) | 13                 | 282  | 1507 | 684  | 171       |
|                               | %                 | 1%                 | 5%   | 16%  | 23%  | 25%       |
| 5                             | Count (thousands) | 2                  | 51   | 435  | 269  | 91        |
|                               | %                 | -                  | 1%   | 5%   | 9%   | 13%       |
| 6 or more                     | Count (thousands) | 0                  | 8    | 131  | 111  | 45        |
|                               | %                 | 0                  | -    | 1%   | 4%   | 7%        |

Source: CCHPR using data from the SEH 2004/5 (ODPM)



## ***Annex B: Methodology***

### **Survey methodology**

232. Housing officers from the 67 district councils and unitary authorities in the South East region were e-mailed and asked about their policies for making best use of the existing housing stock (see Annex A). Those that did not reply were then e-mailed again. In order to check that all types of area had been covered, a “housing market typology” was developed. This classified the districts in the region into groups with similar characteristics. Local authorities in the two groups which had generated low response rates were then contacted by phone to encourage them to reply. This led to a total of 31 replies (50%), representing each of the four housing market types. Where the local authorities no longer owned council housing, the largest local RSLs were also contacted for the relevant sections of the questionnaire.

### **Identifying the key drivers**

233. To date, no specific report has identified the future drivers of change likely to affect existing housing stock. Therefore, in order to try to identify drivers of change that could affect the existing stock, a mixture of primary and secondary research was used. The secondary research drew together existing sources of information of future drivers of change that were developed for the South East Assembly as part of the *Planning for the Future* report in addition to earlier work done through the *Future Think* report for the South East RDA. This was largely supplemented by reports which focused on drivers of change affecting housing.

234. The primary research consisted of a workshop to which staff members of the South East Regional Assembly were invited, along with external stakeholders. The focus of the workshop was to identify drivers of change that affected the existing housing stock, in addition to discussing the impact of those drivers.

## ***Annex C: Workshop report***

### **What five key events have affected the housing stock in the past 20 years?**

(Group 1)

Right-to-Buy

Emergence of single-person household

Improvement / modernisation of private housing stock

Affordability

Enlargement of existing stock

Others

Deregulation of financial market

Deregulation of private rented sector

Decentralisation of population

Rise of second-home owners / buy to let

Decrease in communal living (nursing homes, etc)

Collapse of Stock Exchange

(Group 2)

Right-to-Buy (1981)

Councils can't build (early 1970s)

Economic growth (late 1990s)

Transfer of stock (1988 to early 1990s)

PPG3 (2000) increased density

Changing methods of heating. Cheap energy. Miners' strike. Cheap flights

Widespread education. Change from polytechnics to universities (late 80s)

Internet (mid-1990s)

Car use

### **What were the key drivers behind these events?**

(Group 1)

Stable economic growth

Aspirational / quality-of-life issues

Easier availability of credit

Population growth

Needs versus wants

Changing households

Pressures on stock

Government's choice agenda

Increasing public expenditure

Unrealistic aspirations for home ownership

Insecurity of private renting

Housing supply – not enough, and not enough larger houses

Economic incentives for housing authorities to build smaller homes

Government investment policy (key workers, first-time buyers)

Government planning policy

Private sector renewal (vulnerable households)

HMOs and licensing – what impact?

Access and choice. Changing access and mobility

(Group 2)

Natural resources (water and energy) – lack of availability and cost

Ageing population

Affordability

Age and condition of existing stock

Emergence of China/global economies

Land prices

Lifestyle choices

Improve quality of life (through design)

Media and information

Climate change

Changing working patterns

Government policy

Meeting aspirations

Rising affluence

Easier availability of credit

**Imagine three key newspaper headlines in 20 years' time that affect housing**

(Group 1)

“Baby boomers rebuff nursing homes”

“Water rationing in the South East”

“Slum clearance – 1 in 2 two-bed homes to be targeted”

Others

“House share schemes for the elderly at all-time high”

“Another tax increase for second-home owners”

“Desalinisation plant brings jobs to the Thames Gateway”

“Homelessness in region at an all-time low”

“Repossession rates sky-high”

“Only 5% of young householders able to afford a house/rent in SE”

(Group 2)

“Pensioners clog up family homes”

“New estates powered by micro-generation”

“Affordability crisis”

Others

“Water runs out”

“100% of homes meets decent homes standard”

“Prime Minister open first 300-storey block of flats in Brighton”

“Rural homes lie empty”

“Research shows new-style homes make people happy”

“Car industry collapses because everyone uses new, efficient public transport”

“70% of new homes built in factories”

“Age of buying first house now 50”

“100s of retirement villages built”

“Portsmouth evacuated due to floods”

“Coastal areas depopulated as people move inland”

“First Japanese house fair takes place in Guildford”

### **What were the key drivers behind these headlines?**

Affordability  
Government targets (density, use of brownfield sites)  
Increased affluence  
Housing needs not met  
Private investors (no link made between type of building and housing need and affordability)  
Greenbelt policy  
Lack of land  
Resistance to change  
Climate change  
More houses  
Lack of investment in water infrastructure  
Failure in government planning  
Lack of energy efficiency knowledge  
Increasing aspirations (want more choice)  
Lack of consultation. What do old people want?  
Technology enables people to stay in homes for longer  
More personal independence linked to healthier lifestyles  
Change in demographics  
Under-occupancy disincentives  
Changing housing needs  
Polarisation of wealth

### **Participants to identify top three drivers that they think will be key for the next 20 years (taken from summary list of drivers from both morning group exercises)**

Overall  
Lack of natural resources (water, energy) (11 votes)  
Affordability (lack of) (8 votes)  
Healthy lifestyles (longevity) (5 votes)  
Lack of new build (4 votes)  
=5. Population growth (3 votes)  
=5. Changing households (3 votes)  
=5. Poor housing condition (new slums of the future) (3 votes)

Others  
Government policy (planning and investment) (2 votes)  
Polarisation of wealth (2 votes)  
Changing working patterns (2 votes)  
Increasing aspirations (1 vote)  
Increased affluence (1 vote)  
Emergence of China / global economy (1 vote)  
Stable economic growth  
Desire for a better quality of life (e.g. rural location)  
Easier availability of credit  
Private sector renewal by owners  
Changing access and mobility  
Resistance to change  
Climate change

Increasing environmental awareness  
Technology (including internet)  
Independence and choice (personal)  
Private investors' influence (move away from public regulation)  
Increasing land price  
Media and availability of information  
Reduce need to travel

**For each driver:**

**Is the current stock fit for purpose to meet drivers? If not, in what way?**

**If not, what needs to be done, and by whom?**

**Lack of natural resources**

(Group 1)

Compulsory education (local, regional, partnerships, RSLs, builders)  
Economic incentives / taxes  
Raise price of water etc. and give grants to poor  
Greater emphasis on water efficiency  
Compulsory water metering  
Decent Homes Plus standard with emphasis on greater energy efficiency  
Improve building regulation standards on extensions / refurbishments  
Ban selling of non-energy-efficient devices  
Council tax incentives for energy-efficient homes  
Limit availability of mortgages to certified efficient homes  
Education / promotion of micro-generation and provide more subsidies  
Sell shares in local wind turbine to local community and give free power (as is the case in parts of Scotland)  
Change planning regulations so that micro-generation does not require permission

(Group 2)

Energy  
Education and information  
Regulation, e.g. on retrofitting – higher standard for insulation, eco-homes standard  
Incentivisation – cultural/commitment/awareness  
Media/culture in soaps/campaigns  
Link to cost savings  
High standards for new build – impact on existing stock  
Cost of micro-generation  
    Water, initiatives as above, also  
Technical solution?  
Rating for water consumption (like energy): the worse rated, the more expensive  
Still uncertainty on impacts  
    Climate change  
Flood defences  
Regulation and education – home information packs  
Insulation  
Education

**Lack of affordability**

(Group 1)

Build more houses

Build more affordable housing

New land use category of low cost housing

Allow public landowners to sell for 100% affordable, not best consideration. Or force them to do it?

Develop school and playing field sites (not currently allowed)

Tax land infrastructure to support new house building

(Group 2)

Divide up large houses

Sharing houses for longer

Incentives to downgrade/ downsize, e.g. no stamp duty

Educate/information

Tax incentives for holding lodgers

Homeshare Brooks University, students and older people matched

Increasing number of new build

Pressure on government to provide housing

Types of housing built overcome NIMBYism

Increasing funding for do-it-yourself, shared ownership

Elderly people – provide the right housing, then they will move/match needs

**Healthy lifestyles / longevity...**

Private-sector subsidy for renewal to make fit, and reduce bad health related to housing

Subsidise improvements to housing

Affordability measure in IMD. Get more funding for SE

Both choice and incentives for the elderly to downsize

Build bungalows locally – integrate into community so that the elderly do not have to move out of their community

Better understanding of needs and wants of people aged 50+

(Group 2)

Met through new build and conversion of existing stock

Modernise sheltered housing and provide “extra care” housing and residential

Obesity impacts

Access to facilities through walking

Access to healthcare facilities (EP)

**Lack of new build**

(Group 2)

Consider what you’ve got before new build

Local authorities doing housing assessments dwelling profiles now, which will lead to better understanding of the market

Speed up planning process

### **Poor housing conditions**

(Group 1)

Do nothing and it self-regulates and allows young people to buy more cheaply (i.e. buy older property more cheaply as it needs updating)

NHS money diverted into improving housing

Grants

Additional borrowing secure on added value of home

Local authorities buy share of old person's house to fund improvement which is reclaimed when house is sold after their death

Local authorities provide list of reputable tradesmen / run scheme to enable trust especially amongst the elderly

(Group 2)

Housing that's not built to last e.g. 60s 50/50 private/social

Renovate some (expensive)

Issues where a concentration of housing i.e. a large area with sub-standard housing

Opportunity to demolish but expensive

Use PFI

Integrate if in a good area, improve links

Strategic thinking of what should happen

Individual / private sector renewal. Incentives for keeping certain private rental

### **Population growth / changing households**

(Group 2)

BME? - unsure if it is an issue. Second generation moving to smaller households

Older people / disabilities – adapting houses

## ***Annex D: Trends in under-occupation: small households with six rooms or more***

235. The changing numbers of small households (one member or two) in family-sized houses are one part of the picture of increasing “under-occupation” of the housing stock. To use Census information, the size of dwellings has to be measured by number of rooms. The Census does not obtain information about the way rooms are used, but it would seem safe to reckon on houses with six rooms or more as having three or more bedrooms. Six rooms could comprise a sitting room, dining room, kitchen, and three bedrooms.

236. To analyse changes in the number of households in the present South East region that were “under-occupying” in the sense defined above, tables are required of size of household by number of rooms, specific for housing tenure. Such tables are available from the 1971, 1991, and 2001 Censuses. The 1981 Census tables provide a table of size of households by number of rooms by tenure only for England and Wales (*Housing and Households*, Table 2). The present South East region (the South East government office region) became, along with the other government office regions, the basis for regional statistics only in the mid 1990s. Before that there was the South East standard region, which dates back to the 1960s. In published Census statistics this was divided into Greater London, the Outer Metropolitan Area (OMA) and Outer South East (OSE). For many purposes, though not Census tables, OMA and OSE were combined together as the “Rest of the South East” (RoSE). RoSE differed from the present South East in including Bedfordshire, Essex and Hertfordshire, which are part of the East of England government office region. The county volumes of the 1971 and 1991 Census included tables (19 and 24 respectively) which gave the same analysis of size of households by number of rooms as the regional tables (*Housing Tables 1971*, Table 3 and *1991 Census Report for Great Britain*, Table 24). Bedfordshire, Essex and Hertfordshire can therefore be taken out of the Rest of the South East to leave the present South East government office region. In 1971 the Rest of the South East included Poole, which can be taken out by reference to Table 19 of the Dorset county volume. Totals of one-person and two-person households in total and with six rooms or more are shown in Table 1D below for the present South East region in 1971, 1991 and 2001.



Table D1 One-person and two-person households in South East with six or more rooms

|                                      | One-person households |                         |             | Two-person households |                         |             |
|--------------------------------------|-----------------------|-------------------------|-------------|-----------------------|-------------------------|-------------|
|                                      | Total<br>(thousand)   | With 6 rooms or<br>more |             | Total<br>(thousand)   | With 6 rooms or<br>more |             |
|                                      |                       | Number                  | Percent     |                       | Number                  | Percent     |
| <b>1971</b>                          |                       |                         |             |                       |                         |             |
| Owner-occupied                       | 186.1                 | 60.5                    | 32.5        | 464.8                 | 178.7                   | 38.4        |
| Private rented sector <sup>21</sup>  | 139.3                 | 19.4                    | 13.9        | 172.5                 | 41.2                    | 23.9        |
| Local authorities and<br>New Towns   | 75.9                  | 3.4                     | 4.5         | 124.1                 | 17.0                    | 13.7        |
| <b>All tenures<sup>22</sup></b>      | <b>402.7</b>          | <b>83.5</b>             | <b>20.7</b> | <b>762.6</b>          | <b>237.5</b>            | <b>31.1</b> |
| <b>1991</b>                          |                       |                         |             |                       |                         |             |
| Owner-occupied                       | 467.8                 | 123.6                   | 26.4        | 810.0                 | 339.9                   | 42.0        |
| Private rented sector                | 109.3                 | 16.0                    | 14.6        | 100.1                 | 23.7                    | 23.7        |
| Local authorities,<br>New Towns, HAs | 174.7                 | 9.1                     | 5.2         | 137.8                 | 19.3                    | 14.0        |
| <b>All tenures</b>                   | <b>751.8</b>          | <b>148.7</b>            | <b>19.8</b> | <b>1047.9</b>         | <b>382.8</b>            | <b>36.5</b> |
| <b>2001</b>                          |                       |                         |             |                       |                         |             |
| Owner-occupied                       | 604.4                 | 185.1                   | 30.6        | 918.2                 | 476.5                   | 51.9        |
| Private rented sector                | 151.0                 | 19.1                    | 12.6        | 130.2                 | 26.3                    | 20.2        |
| Local authorities,<br>New Towns, HAs | 182.1                 | 11.9                    | 6.5         | 119.6                 | 16.4                    | 13.7        |
| <b>All tenures</b>                   | <b>937.5</b>          | <b>216.1</b>            | <b>23.1</b> | <b>1168.0</b>         | <b>519.2</b>            | <b>44.5</b> |

Source: See text

237. Between 1971 and 2001 the number of small households in the South East region with six rooms or more increased by 130%, over 400,000 in total. All of this increase was in the owner-occupied sector: there was a net increase of 423,000 one- and two-person owner-occupier households with six rooms or more; a net reduction of 15,000 in the private rented sector; and a net increase of 8,000 one-person and two-person households in the social rented sector with six rooms or more.

238. The increase between 1971 and 2001 in the number of one-person owner-occupier households with six rooms or more was arithmetically the consequence of the increase in the total of one-person households that were owner-occupiers, not of an increase in the proportion with six rooms or more. The total of one-person households that were owner-occupiers can be seen from Table D1 to have more than tripled between 1971 and 2001. The proportion with six rooms or more fell slightly between 1971 and 2001. In contrast, the proportion of two-person owner-occupier households with six rooms or more rose by just over one third. Of the net increase of 282,000 two-person owner-occupier households that had six rooms or more, 174,000 were due to the overall increase in the number of two-person households that were owner-occupiers, and 108,000 were due to the rise in the proportion of the households that had six or more rooms.

239. The reduction in the number of small private-sector tenant households with six rooms or more was the result of changes in the overall size of the sector and changes in its composition. In 1971 there were a considerable number of older households whose whole

<sup>21</sup> In 1971 housing associations were included with the private rented sector

<sup>22</sup> Totals include a small number "not stated"

housing careers had been in the private rented sector, who became small households when sons and daughters left the parental home, and stayed on in the house they occupied as a family. Their numbers diminished with time. Table D1 shows that the number of one-person and two-person households together that were private-sector tenants fell proportionally. Between 1991 and 2001 the private rented sector expanded, with the number of one- and two-person households increasing in the South East region by slightly over 70,000. Other information (from housing surveys) shows that the growth of the private rented sector came primarily from younger households, hence the very small increase (6000 out of 72,000) in the number with six rooms or more.

240. In the social rented sector, the proportions of one- and two-person households with six rooms or more were almost the same in 1971, 1991 and 2001: 5.4%, 5.2%, and 6.5% respectively for one-person households, and 13.7%, 14.0% and 13.7% for two-person households.

241. By the measure used here (one-person and two-person households with six rooms or more) low density occupation or under-occupation is specific to owner-occupation. It is therefore a market phenomenon. Households that diminish in size could, if they chose, “trade down” to smaller housing, but for the most part they remain where they are.

## ***Annex E: Dwellings gained and lost within the existing stock***

242. Information collected from unitary authorities and districts within the South East region as part of monitoring housing completions in the South East, and released by the South East England Regional Assembly, is at present available only for 2004/05 (below)

*Table E1: Net increase in the stock of permanent dwellings<sup>23,24,25</sup>*

|             |   |               |
|-------------|---|---------------|
| (i)         | New dwellings completed (gross)                         | 30,383        |
| (ii)        | Conversion gains  | 2,165         |
| (iii)       | Changes of use from non-residential to residential      | 2,560         |
| <b>(iv)</b> | <b>Additions to the Stock (= (i)+(ii)+(iii))</b>        | <b>35,108</b> |
| (v)         | Demolitions for housing development                     | 2,340         |
| (vi)        | Other demolitions                                       | 15            |
| (vii)       | Conversion losses                                       | 641           |
| (viii)      | Changes of use from residential to non-residential      | 205           |
| <b>(ix)</b> | <b>Losses from the stock (= (v)+(vi)+(vii)+(viii))</b>  | <b>3,201</b>  |
| <b>(x)</b>  | <b>Net increase in the stock of permanent dwellings</b> | <b>31,907</b> |

*Source: Table 1a of Housing Completions in the South East*

243. The demolitions for housing development can include demolitions of local authority dwellings that are in poor condition or very unpopular in the course of regeneration schemes. Also included are privately owned houses that are pulled down so as to release a site for high-density new building. The information available does not distinguish between them, and nor does their location provide any real clues.

244. This analysis shows how numerous the gains are from conversion and changes from non-residential to residential use. In Table E2 they are shown as 4,725 in total, some 15% of the total net increase in the dwelling stock in the region in 2004/05. Corresponding figures for geographical counties are shown in Table E2.

<sup>23</sup> Medway UA provided only net new build and conversion gains net of losses. The net figures are entered as if gross.

<sup>24</sup> Conversion gains, changes of use and other demolitions were not reported by Waverley and Woking Districts.

<sup>25</sup> Conversion gains are counted in net terms. Where a house is converted into three flats, for example, the conversion gain is counted as 2. The house that is converted is *not* counted as a loss. The conversion losses, category (viii) in Table 3, come from two or more small flats or houses being merged into one. Changes of use from non-residential to residential are likely to be commercial buildings converted into flats, for the most part.

Table E2: conversion gains and changes from non-residential to residential 2004/05<sup>26</sup>

| County            | (A)<br>Conversion<br>gains | (B)<br>Changes<br>to<br>residential<br>use | (C)<br>(A) +<br>(B) | (D)<br>Total net<br>increase<br>in<br>stock | (E)<br>(C) as<br>%<br>of (D) |
|-------------------|----------------------------|--|---------------------|---|------------------------------|
| Berkshire         | 87                         | 224  | 311                 | 3,957                                       | 7.9                          |
| Buckinghamshire   | 63                         | 167  | 230                 | 2,611                                       | 8.8                          |
| East Sussex       | 553                        | 214  | 767                 | 2,141                                       | 35.8                         |
| Hampshire         | 388                        | 918  | 1306                | 7,604                                       | 17.2                         |
| Isle of Wight     | 58                         | 36   | 94                  | 310   | 30.3                         |
| Kent              | 231                        | 458  | 689                 | 7,387                                       | 9.3                          |
| Oxfordshire       | 521                        | 138  | 659                 | 2,895                                       | 22.8                         |
| Surrey            | 92                         | 97   | 189                 | 2,892                                       | 6.5                          |
| West Sussex       | 172                        | 308  | 480                 | 2,110                                       | 22.7                         |
| <b>South East</b> | <b>2,165</b>               | <b>2,560</b>                               | <b>4,725</b>        | <b>31,907</b>                               | <b>14.8</b>                  |

245. The very high proportion of the net increase in the housing stock in East Sussex that comes from conversion gains and transfers to residential use is mainly due to the figure for conversion gains in Brighton and Hove (312). If Brighton and Hove is taken out, conversion gains plus transfers to residential use in the rest of East Sussex become 374, 24.3% of the total net increase of the housing stock (1,539). Even after these adjustments, the proportion of the net increase in the housing stock coming from conversion gains and transfers to residential uses was still comparatively high in East Sussex and low in Surrey. That the proportion was so low in Surrey is particularly surprising. It is a county without much land available for development, owing to the green belt and Areas of Outstanding National Beauty, so it might be expected that there would be a strong incentive to get as many new dwellings as possible out of the existing stock of buildings.

246. This new information makes it clear how important conversions of houses into flats, and conversion of non-residential buildings for use as residences, are in the South East.

247. One year's figures might not be entirely representative, however, and this is an area that merits further attention. In addition, little is known about what kinds of dwelling are provided in these ways, and who buys or rents them. This would be very important information for assessing how much of future housing demand might be met from this source.

248. Important in connection with how much of the demand might be met from conversion gains and changes to residential uses is that these gains do not cause losses, because conversion gains are measured net (as discussed above). Conversion losses are separate; and demolitions for new development are consequences of new building. Conversion gains and transfers to residential use are all net gains to the housing stock.

<sup>26</sup> The comparison between gains to the housing stock from conversion gains and changes from non-residential to residential use and the overall net increase in the stock in Surrey is distorted by there being no figures, other than new building, for Waverley and Woking. If these districts are taken out, the changes from non-residential to residential plus conversion gains remain at 189 in total. But the total stock increase becomes 2,357, and hence transfers to residential use and conversion gains become 8.0% of the total instead of 6.5%.

## *Annex F: Larger houses in the South East*

### **Background**

249. This analysis has two purposes: to delineate changes in the number and proportion of large houses in the South East region; and to estimate how much of the increase in the number of larger houses came from enlargement and extension of houses already in the stock rather than from new building<sup>27</sup>. Housing surveys are the source for estimates of the net increase in the stock of larger houses, with which the number newly built is compared. This comparison has its uncertainties, because the net increase in the number of houses with four or more bedrooms can be affected by larger houses being demolished (so that terrace houses can be built on the site, for example) or converted into flats, but provides an estimate of the numbers of larger houses that have been created by extensions to existing properties.

### **The number of larger houses**

250. The number of larger houses in the stock has to be estimated from survey data, because the Census does not record the number of bedrooms. The surveys from which the data are drawn are: the National Dwelling and Housing Survey (NDHS) for 1977/78; the Labour Force Survey (LFS) housing trailer (i.e. supplements) for 1981, 1984, 1988 and 1991; and the Survey of English Housing (SEH) for 1993/94 annually to 2004/05. Government office regions replaced the statistical standard regions in the mid-1990s, which results in a break in comparisons across time. The “Rest of the South East” (i.e. excluding London) and East Anglia were replaced by the South East and East of England government office regions. East Anglia comprised only Cambridgeshire, Norfolk and Suffolk, whereas the East of England also includes Bedfordshire, Essex and Hertfordshire. Analyses from the Survey of English Housing for 1993/94 and 1994/95 are available both for the standard regions and for the government office regions. In Table F1 below, a combined total is shown, for continuity across the change in the way regions are defined. The Table is in terms of households with four or more bedrooms, which is not exactly the same thing as the number of houses and flats with four or more bedrooms, owing to vacant dwellings and possibly a small number being shared. But the number of households with four bedrooms or more is likely to be a close approximation. The Table comprises owner-occupiers and private-sector tenants, but does not include the social rented sector.

*Table F1: Private-sector households in South East England with four bedrooms or more: 1977/78 to 2004/05 (thousands)*

|         | <b>Rest of<br/>England</b> | <b>South<br/>East (GO<br/>region)</b> | <b>East<br/>Anglia</b> | <b>East of<br/>England<br/>(GO<br/>region)</b> | <b>South<br/>East<br/>England<br/>excluding<br/>London</b> |
|---------|----------------------------|---------------------------------------|------------------------|--|--|
| 1977/78 | 406                        |                                       | 66                     |  | 472  |
| 1981    | 484                        |                                       | 82                     |  | 566  |
| 1984    | 521                        |                                       | 96                     |  | 617  |
| 1988    | 664                        |                                       | 110                    |  | 774  |

<sup>27</sup> For present purposes, “larger houses” is taken to mean houses with four bedrooms or more. The reason for taking the number of bedrooms as the measure of size is that the number of bedrooms is reported for new houses and flats completed, but the number of rooms in total is not. Both numbers of bedrooms and rooms in total are available in housing surveys.

|                     |     |     |     |     |       |
|---------------------|-----|-----|-----|-----|-------|
| 1991                | 781 |     | 143 |     | 924   |
| 1993/94 and 1994/95 | 805 | 609 | 149 | 346 | 954   |
| 1995/96 and 1996/97 |     | 553 |     | 348 | 901   |
| 1997/98 and 1998/99 |     | 630 |     | 382 | 1,012 |
| 1999/00 and 2000/01 |     | 689 |     | 429 | 1,118 |
| 2001/02 and 2002/03 |     | 692 |     | 433 | 1,125 |
| 2003/04 and 2004/05 |     | 734 |     | 463 | 1,197 |

Source: Tables provided by ODPM from housing surveys cited above

251. Replacing standard statistical regions by government office regions had the effect of transferring out of the South East about one quarter of the stock of dwellings with four bedrooms or more, and a slightly higher proportion (27% of the whole housing stock). Conversely, the transferred area (Bedfordshire, Essex and Hertfordshire) amounts to almost three fifths of the East of England regions. The break was therefore sharp, which poses problems about long-term comparisons over the quarter-century covered by Table 8, where for part of the period the “South East” is the RoSE standard region and part of the government office region. The “join” at 1993/94 and 1994/95 (combined) is also a source of difficulty, and means that it is necessary for some stages in the analysis to take the two regions together.

252. The totals of households with four or more bedrooms, and by inference approximately the number of dwellings, are estimates derived from sample surveys, not precise figures. If taken at face value, though, they show a net increase of over 700,000 in the number of houses with four bedrooms or more between the late 1970s and current day in what is now the South East and East of England government office regions combined. That is equal to about 40% of the overall net increase in the privately owned dwelling stock. Of the total increase of just over 700,000 dwellings with four bedrooms or more in the South East and East of England regions combined, a pro-rata calculation puts about 400,000 within the present South East government office region.

### **The source of the increase in the number of larger houses: new build or from extensions to existing properties?**

253. A comparison between the net increase in houses with four bedrooms or more and new houses completed with four bedrooms or more is the starting point. That comparison is subject to uncertainty owing to what looks like erratic variations between the totals of houses with four bedrooms or more. But account has also to be taken of larger houses converted into flats, or pulled down so that terrace houses or small apartment blocks can be built on site. Evidence about the number of such reductions in the number of larger houses is very limited.

254. The number of new houses and flats with four or more bedrooms built for private owners is shown in Table F2. They are taken from *Housing and Construction Statistics* from 1977 to 1993, and from *Housing Statistics* 2004 and 2005 from 1993/94 onwards. For 1993 and earlier, exact figures for new completions are analysed by number of bedrooms. From 1993/94 onwards, the published information about the size of new dwellings has included the total, but only a percentage distribution of sizes. Totals of new dwellings with four or more bedrooms were derived by multiplying the totals by the percentages<sup>28</sup>. Figures are shown for each individual year so that the totals for differing time periods can readily be calculated.

<sup>28</sup> The figures produced are shown to the first decimal place for working purposes, but because the percentages are whole numbers, some of the calculator figures may be slightly out. This is however a minor source of potential error compared with the effect of sampling variation on the net increase in the number of larger houses.

Table F2: Number of dwellings with four bedrooms or more completed for private owners (thousands)

|              | <b>Rest of South East<br/>(standard region)</b> | <b>East Anglia</b> | <b>South East<br/>(GO region)</b> | <b>East of England<br/>(GO region)</b> | <b>Total South East<br/>excluding London</b> |
|--------------|---|--------------------|-----------------------------------|--|--|
| 1977         | 8.1   | 1.2                |                                   |  | 9.3  |
| 1978         | 8.9   | 1.5                |                                   |  | 10.4   |
| 1979         | 8.9   | 1.6                |                                   |  | 10.5   |
| 1980         | 8.4   | 1.8                |                                   |  | 10.2   |
| 1981         | 8.6   | 1.6                |                                   |  | 10.2   |
| 1982         | 7.7   | 1.5                |                                   |  | 9.2  |
| 1983         | 9.1   | 1.8                |                                   |  | 10.9   |
| 1984         | 10.0  | 2.1                |                                   |  | 12.1   |
| 1985         | 9.6   | 2.3                |                                   |  | 11.9   |
| 1986         | 11.3  | 2.4                |                                   |  | 13.7   |
| 1987         | 12.7  | 3.0                |                                   |  | 15.7   |
| 1988         | 13.4  | 3.2                |                                   |  | 16.5   |
| 1989         | 10.4  | 2.9                |                                   |  | 13.4   |
| 1990         | 8.3   | 2.9                |                                   |  | 11.2   |
| 1991         | 7.2   | 2.5                |                                   |  | 9.7  |
| 1992         | 7.1   | 2.1                |                                   |  | 9.2  |
| 1993/1993/94 | 7.6   | 2.1                | 5.5                               | 4.5                                    | 9.7/10.0                                     |
| 1994/95      |   |                    | 6.6                               | 5.3                                    | 11.9   |
| 1995/96      |   |                    | 6.7                               | 5.4                                    | 12.1   |
| 1996/97      |   |                    | 7.1                               | 5.9                                    | 13.0   |
| 1997/98      |   |                    | 7.9                               | 6.6                                    | 14.5   |
| 1998/99      |   |                    | 7.5                               | 6.4                                    | 13.9   |
| 1999/00      |   |                    | 7.9                               | 6.6                                    | 14.5   |
| 2000/01      |   |                    | 7.0                               | 5.0                                    | 12.0   |
| 2001/02      |   |                    | 6.4                               | 5.2                                    | 11.6   |
| 2002/03      |   |                    | 6.6                               | 6.3                                    | 12.9   |
| 2003/04      |   |                    | 5.9                               | 6.0                                    | 11.9   |
| 2004/05      |   |                    | 4.6                               | 5.2                                    | 9.8  |

Source: *Housing Statistics 2004 and 2005 Table 2.4b; Housing and Construction Statistics 1977-1987 Table 6.8 and 1983-1993 Table 6.8*

255. The total of dwellings with four or more bedrooms completed in the South East and East of England regions combined between 1977/78 and 2003/04 and 2004/05 from Table F2 is 320,000 which is far below the increase in the number of households with four or more bedrooms shown in Table 8, which is 725,000. A comparison for shorter periods, for Rest of South East, East Anglia and the South East and East of England government office regions is in Table 10.

Table F3: Comparison of net increase in households with four or more bedrooms and new dwellings with four or more bedrooms <sup>29</sup>(thousands)

|                             |   | <b>Net increase in households with four bedrooms or more</b> | <b>New dwellings with four bedrooms or more (a)</b> | <b>Difference</b> |
|-----------------------------|---|--|---|-------------------|
| Rest of South East          | 1977/78 to 1993/94                                  | 399  | 157   | 242               |
| East Anglia                 | 1977/78 to 1993/94                                  | 83   | 37  | 46                |
| South East (GO region)      | 1993/94 to 2003/04 combined with 1994/95 to 2004/05 | 125  | 69  | 56                |
| East of England (GO region) | 1993/94 to 2003/04 combined with 1994/95 to 2004/05 | 117  | 58  | 59                |

Source: Calculated from Tables 8 and 9

256. Notwithstanding elements of uncertainty introduced by the totals of households with four bedrooms depending on sampling, it is clear that since 1993/94 and 1994/95 only about one half of the net increase in the stock of privately owned four-bedroom dwellings in the South East and East of England can be accounted for arithmetically by new construction. Between 1977/78 and 1993/94 and 1994/95 only about two fifths of the net increase in households with four bedrooms or more appears to have come from new construction.

257. Comparison between the net increase in the stock of larger dwellings and the number of new dwellings with four or more bedrooms completed is not, however, the whole of the picture. The net change in the number of larger houses comprises:

|               |    |  |
|---------------|----|--|
|               | a) | New houses and flats with four or more bedrooms  |
| <i>Plus</i>   | b) | Dwellings with four or more bedrooms produced by extensions and enlargements of existing dwellings, or mergings of two or more small houses or flats |
| <i>Minus</i>  | c) | Larger dwellings converted into flats with three bedrooms or fewer   |
| <i>Minus</i>  | d) | Larger houses demolished   |
| <i>Equals</i> | e) | Net increase in dwellings with four bedrooms or more.  |

258. Table F3 is constructed from estimates of (a) and (e). Unless (c) and (d) are nil or negligible, the “difference” column in Table 10 will understate the size of (b) the number of larger dwellings produced by extensions of houses in the stock and conversions that merge two or more small flats or houses into one large dwelling.

259. Information with which to estimate the number of larger houses converted into flats or demolished is very sparse. Some useful pointers, however, can be derived from *Monitoring Housing Completions in the South East* (South East England Regional Assembly) which estimates components of change of the housing stock between the beginning and end

<sup>29</sup> The number of new dwellings completed between 1993/94 and 1994/95 and 2003/04 and 2004/05 is taken to be: the mean of completions in 1993/94 and 1994/95 plus completions in years 1995/96 to 2002/03 inclusive plus the mean of 2003/04 and 2004/05.



of the year. These components of change, which refer to the whole housing stock, not just privately owned dwellings, are replicated for convenience in Table F4.

*Table F4: Components of change of the housing stock in the South East region in 2004/05*

|        |  |               |
|--------|--|---------------|
| (i)    | New building                                   | 30,383        |
| (ii)   | Demolitions for housing development            | (2340)        |
| (iii)  | Conversion gains                               | 2165          |
| (iv)   | Conversion losses                              | (641)         |
| (v)    | Changes of use: non-residential to residential | 2560          |
| (vi)   | Changes of use: residential to non-residential | (205)         |
| (vii)  | Other demolitions (not housing development)    | (15)          |
| (viii) | <b>Net change in the housing stock</b>         | <b>31,907</b> |

*Source: South East England Regional Assembly and ODPM, Monitoring Housing Completions in the South East; Annex E Table E2*

260. In Table F4, events in categories (ii), (iii) and (vii) could result in dwellings being taken out of the stock of larger houses; and (iv) is a means by which larger houses can be produced by merging together of smaller properties. They may be considered in sequence.

261. Demolitions for housing development could clearly include larger houses, especially if they have large gardens, demolished to provide sites for building small apartment blocks and terrace houses. These are not, though, the only demolitions for housing development that there might be. "Regeneration" schemes for local authority estates often include demolition of dwellings that are in poor condition or unpopular. The location of the demolitions for housing development tells against this being the main reason. The number of demolitions was in double figures in all the districts of Surrey, for instance; and there were 70 in the New Forest District. To assume that one half of the 2,340 housing development demolitions in Table F4 were of larger houses demolished to make way for higher density development for sale is probably cautious, though this would need to be looked at again if an analysis by tenure became available.

262. Conversion gains are defined in net terms. A house converted into two flats counts as a gain of one; a house converted into three flats counts as a gain of two. Not all converted houses necessarily had four bedrooms or more; but it is likely that many did (Department for the Environment, 1992; English House Condition Survey). If so, about 800 houses with four bedrooms or more could have been converted.

263. Changes of use from residential to non-residential are fewer. Large houses are more likely than small to be converted into hotels or guest houses. That one half were larger houses would be a reasonably cautious assumption.

264. Demolitions for purposes other than housing development (15) are too few to register, and so may be ignored.

265. Losses for 2004/05 from the stock of dwellings in the South East with four bedrooms or more through demolition, conversion into flats, and transfers to non-residential uses are thus put at 1120, 800, and 100 respectively, i.e. 2,020 in total.

266. An illustrative calculation for 2004/05 that includes the number of new houses built with four bedrooms or more (4,600, Table F2); the losses from the stock of such houses

(previous paragraph); and the net increase in the stock of houses with four bedrooms or more, taken *for illustrative purposes only* to be one tenth of the net increase between 1993/94 and 1994/95 and 2003/04 and 2004/05 (Table F3, 12,500), table F5 puts figures against (a), (c), (d) and (e) above, so that item (b), dwellings produced by extensions and merging of smaller houses, can be calculated.

*Table F5: Change of the stock of dwellings with four bedrooms or more in 2004/05*

|        |     |  |        |
|--------|-----|--|--------|
|        | (a) | New houses and flats with four bedrooms or more  | 4600   |
| plus   | (b) | Dwellings with four or more bedrooms produced by extension of existing dwellings and merging of two or more small houses and flats |        |
| minus  | (c) | Larger dwellings converted into flats with three bedrooms or fewer   | 800    |
| minus  | (d) | Larger dwellings demolished, or transferred to non-residential uses  | 1,220  |
| equals | (e) | Net increase in dwellings with four bedrooms or more   | 12,500 |

*Source: See text*

267. In Table F5 (b) = 9,920. If, instead of new building of houses with four bedrooms or more in 2004/05, the average for 1993/94 and 1994/95 to 2003/04 and 2004/05 (6600) is taken for comparability with the annual average increase in the stock, (b) would equal 7,920.

268. Figures such as those in Table F4 for 2004/05 are not available for earlier years. Assumptions are necessary to produce a calculation for the whole period from 1993/94 and 1994/95 on the lines of that in Table F5 for 2004/05. Pressure to build in urban areas rather than on greenfield sites has intensified, so to assume that figures for 2004/05 applied throughout would be likely to result in an overestimate. For present purposes, an assumption is made that at the start of the period 1993/94 and 1994/95 the number of losses was one half of that in 2004/05; and that from then on, the number increased at an even rate in 2004/5. This would give an average of about 1,500 a year, 15,000 in the whole period. The number of houses with four or more bedrooms produced from within the stock in the whole period would then be as in Table F6.

*Table F6: Components of change of the stock of houses in the South East region with four bedrooms or more. 1993/94 and 1994/95 to 2003/04 and 2004/05 (thousands)*

|               |   |                |
|---------------|---|----------------|
|               | New building                            | 66,000         |
| plus          | Produced from within the stock          | 74,000         |
| less          | Losses from conversions and demolitions | 15,000         |
| <b>equals</b> | <b>Net increase (Table F3)</b>          | <b>125,000</b> |

## Conclusion

269. In round terms, about one half of the net increase in the number of larger houses in the South East region appears to have come from within the housing stock, and about one half from new building. The figure in Table F4 for conversion losses, 641, indicates that merging two or more smaller dwellings into one was not the main source of larger dwellings within the existing stock; as such losses would produce about 300 larger dwellings per year. Instead, the main source from within the existing stock appears to have come from extensions or adaptations to existing properties.

## *Annex G: Income and amount of housing space*

### **Background**

270. Previous work has indicated that households with higher incomes occupy more space, irrespective of size and type of household<sup>30</sup>. Analyses were made here from data from the *Survey of English Housing* (SEH) to study amounts of space occupied by owner-occupiers according to income. The measure of amounts of space occupied was the number of bedrooms relative to the “bedroom standard”. The standard number of bedrooms is: one bedroom for each married couple or couple living as married; one bedroom for each person aged 21 or over who is not married or living as married; and one bedroom between two for other household members, provided that persons of opposite sexes may not share a bedroom unless both are under the age of 10. This is a standard which has no statutory force, but is widely used in surveys<sup>31</sup>. In most work, two or more bedrooms above the standard number is usually taken as denoting spare space or, more pejoratively, “under-occupation”.

271. The households studied were owner-occupiers with mortgages, not all the owner-occupiers, because outright owners will normally have paid for their houses some time ago. Their present incomes are thus likely to be less closely related to the amount of housing space than for owner-occupiers who are still buying.

272. Analyses were made both for the South East region and for England as a whole. The sample size for England as a whole is approximately six times as large as that for the South East, and so is much less vulnerable to sampling quirks. A comparison of what might appear to be a suspicious figure for a particular income range in the South East with the corresponding figure for England can therefore serve to some extent as a check. Of more substantive interest is whether the higher level of house prices in the South East is associated with smaller proportions of households with two or more bedrooms above the standard, income for income.

273. The source of the data is the SEH for 2002/03, 2003/04 and 2004/05, combined together for a larger sample size. The assumption is made that real changes between the years were small in relation to sampling variation.

### **Methods**

274. For analysis, the sample was divided by type of household and cross-divided by age of the “household reference person”. Three household types are distinguished: couple households; one-person households; and all other households. The age ranges are: under 45; 45-64; and 65 and over. Table G1 shows an analysis of numbers in these nine categories in the South East region. The numbers are of the samples grossed, but without any adjustments for the much higher non-response in SEH to questions about income. In round terms, one sample member grosses to 1,000 in the population. The grossed numbers for the three years can be added, and taken to represent approximately the sample number for the three years

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<sup>30</sup> “Space” has here to be measured by number of bedrooms; but number of bedrooms is correlated positively with other indicators of space, rooms in total and floor area (from the *English House Condition Survey*).

<sup>31</sup> In administering Housing Benefit the rules for determining whether or not the applicant’s residence is over-large in relation to household circumstances state that age 16 rather than 21 qualifies for a separate room, and one room above the standard number is allowed.

combined. In the present context, the Table is used as evidence as to which of the nine categories yields samples large enough for analysis for the South East.

*Table G1: Approximate sample numbers for owner-occupiers with mortgages in the South East with income data*

|                         | <b>Household Type</b> |                       |                  |                       |
|-------------------------|-----------------------|-----------------------|------------------|-----------------------|
|                         | Couples               | One-person households | Other households | <b>All households</b> |
| Age of reference person |                       |                       |                  |                       |
| Under 45                | 1,645                 | 360                   | 148              | <b>2,153</b>          |
| 45-64                   | 1,119                 | 193                   | 121              | <b>1,512</b>          |
| 65 and over             | 61                    | 33                    | 2                | <b>96</b>             |
| <b>All households</b>   | <b>2,905</b>          | <b>586</b>            | <b>271</b>       | <b>3,762</b>          |

*Source: CCHPR from SEH data provided by ODPM*

275. For analysis, distributions are required of households with:

- fewer bedrooms than standard
- equal to standard
- one above standard
- two or more above standard.

276. Ranges of income are in £100 bands ranging from less than £300 to £1000 or more. Income is weekly gross income of the household reference person and spouse or partner. The samples of couples aged under 45 and 45-64 are clearly large enough for analysis, but for one-person households under age 45, only barely large enough. The samples of one-person households aged 45 and over, couples aged 65 and over and “other” households are too small.

## Results

277. Table G2 shows proportions of owner-occupier households with mortgages in the South East region in each income range who were under-occupying. Shown as well are the approximate sample sizes.

*Table G2: Proportions of owner-occupiers with mortgages who were under-occupying: South East region: analysis by range of income*

|                                       | <b>Couple households under age 45</b> |  | <b>Couple households aged 45-64</b> |  | <b>One-person households under age 45</b> |  |
|---------------------------------------|---------------------------------------|--|-------------------------------------|--|---|--|
|                                       | Sample                                | % with two or more bedrooms above standard | Sample                              | % with two or more bedrooms above standard | Sample                                    | % with two or more bedrooms above standard |
| <b>Range of gross income (£/week)</b> |                                       |  |                                     |  |   |  |
| Under £300                            | 47                                    | 17   | 50                                  | 46   | 48  | 25   |
| £300 but under £400                   | 64                                    | 9  | 62                                  | 44   | 48  | 29   |
| £400 but under £500                   | 138                                   | 17   | 89                                  | 52   | 87  | 21   |
| £500 but under £600                   | 138                                   | 22   | 111                                 | 44   | 46  | 33   |
| £600 but under £700                   | 191                                   | 18   | 115                                 | 51   | 44  | 20   |
| £700 but under £800                   | 200                                   | 26   | 124                                 | 46   | 29  | 38   |
| £800 but under £900                   | 153                                   | 31   | 114                                 | 50   | 20  | 55   |
| £900 but under                        | 139                                   | 36   | 83                                  | 47   | 7   | 86   |

|                |             |           |             |           |            |           |
|----------------|-------------|-----------|-------------|-----------|------------|-----------|
| £1,000         |             |           |             |           |            |           |
| £1,000 or over | 575         | 56        | 451         | 62        | 31         | 39        |
| <b>Total</b>   | <b>1645</b> | <b>35</b> | <b>1199</b> | <b>53</b> | <b>360</b> | <b>30</b> |

*Source: CCHPR from SEH data provided by ODPM*

278. The corresponding table for England may be shown before commenting on Table G2. As noted above, figures for England are less likely to be affected by quirks of sampling.

*Table G3: proportions of owner-occupiers with mortgages who were under-occupying: England: analysis by range of income*

|                                       | <b>Couple households under age 45</b> |  | <b>Couple households aged 45-64</b> |  | <b>One-person households under age 45</b> |  |
|---------------------------------------|---------------------------------------|--|-------------------------------------|--|---|--|
|                                       | Sample                                | % with two or more bedrooms above standard | Sample                              | % with two or more bedrooms above standard | Sample                                    | % with two or more bedrooms above standard |
| <b>Range of gross income (£/week)</b> |                                       |  |                                     |  |   |  |
| Under £300                            | 504                                   | 13   | 406                                 | 51   | 491                                       | 31   |
| £300 but under £400                   | 589                                   | 12   | 394                                 | 45   | 448                                       | 31   |
| £400 but under £500                   | 1,024                                 | 17   | 604                                 | 46   | 521                                       | 37   |
| £500 but under £600                   | 1,199                                 | 22   | 614                                 | 43   | 294                                       | 41   |
| £600 but under £700                   | 1,134                                 | 27   | 639                                 | 43   | 265                                       | 34   |
| £700 but under £800                   | 1,085                                 | 31   | 590                                 | 46   | 134                                       | 51   |
| £800 but under £900                   | 808                                   | 35   | 496                                 | 44   | 68  | 50   |
| £900 but under £1,000                 | 704                                   | 51   | 365                                 | 46   | 52  | 52   |
| £1,000 or over                        | 2,486                                 | 54   | 1,726                               | 57   | 189                                       | 47   |
| <b>Total</b>                          | <b>9,533</b>                          | <b>33</b>                                  | <b>5,834</b>                        | <b>49</b>                                  | <b>2,462</b>                              | <b>37</b>                                  |

*Source: CCHPR from SEH data provided by ODPM*

279. Among couple households under the age of 45, higher incomes are associated with higher proportions of under-occupation, both in the South East and in England as a whole. For England, the proportions rise steadily from with incomes over £300 upwards. In the South East region the pattern is similar, but with one anomalous value. That would be expected, however, in view of the smaller sample numbers. Income for income, the proportions of couple households with two or more bedrooms above standard is slightly lower in the South East than in England as a whole, as would be expected from house prices there being higher. That the overall proportion of couple households who under-occupy is higher in the South East is the result of the distribution of households between ranges of income. Of the owner-occupier couple households under the age of 45 in the South East, 35% had weekly gross incomes of £1000 or more, as compared with 26% in England as a whole. In percentage terms, the proportions of under-occupying households increased by rather more than income.

280. Households with heads aged 45-64 will normally have bought their houses longer ago than those under 45, so there is more opportunity for the relationship between income and housing characteristics to become blurred. Furthermore, many couple households in the 45-64 range will no longer have sons or daughters living with them. When the sons or daughters leave, the standard number of bedrooms for the household falls, by definition. A family with one son and one daughter living in a three-bedroom house will have bedrooms

equal to the standard number. When the son and daughter leave, there are two bedrooms more than standard. It is therefore to be expected that the relationship between income and the proportion of households with two or more bedrooms than the standard number will be looser for couple household aged 45-64 than for younger households. Both for England and the South East region, the only clear sign in couple households aged 45- 64 of higher incomes being associated with a higher proportion of households with two or more bedrooms more than standard is the higher proportions whose income is over £1,000.

281. One-person households under the age of 45 who are owner-occupiers with mortgages are far fewer than couples and the sample numbers are therefore smaller. Proportions with two or more bedrooms over standard are therefore more vulnerable to sampling variation. The £900 to £1,000 per week range in the South East (Table G2) is an example. That said, the proportions for England (Table G3) show evidence of the proportion of these households with two or more bedrooms more than standard (i.e. three bedrooms or more) being positively related to income. It would be more definite but for the figure for the £1,000 and over income range being lower than in the three ranges between £700 and £1,000 a week. In the South East the variability between income ranges is too great to show anything conclusive about the proportions of households with two or more bedrooms more than standard. That 30% of men and women in the South East living alone who are owner-occupiers with mortgages have three bedrooms or more is, however, of interest in connection with the demand for space in the housing stock.

## **Conclusion**

282. The clearest evidence of income having a strong positive effect on demand for housing space is from the proportions of owner-occupier couple households under the age of 45 that have two or more bedrooms more than the standard number, i.e. three bedrooms or more. The implication is that if incomes continue to rise, one result will be a growing demand for more housing space, within the existing stock as well as in new houses and flats.

## ***Annex H: Future increase in owner-occupier households with two or more bedrooms over standard***

### **Background**

283. This is part of an attempt to estimate the likely increase in the number of owner-occupiers with two or more bedrooms more than the standard number as a result of ageing of the present population of households, as distinct from new household formation and inward migration to the South East. These households are termed here “under-occupying” households. The proportion of households in the higher age ranges that are owner-occupiers will rise with the passage of time. At the present time (2000/01, 2001/02, and 2002/03 combined) 85% of households with heads aged 55-64 are owner-occupiers. Among households with heads aged 65-74 the proportion is 80%; and in the age range 75-84, 72%. With only limited exceptions, households stay in the same tenure as they age. So 20 years hence, the proportion of households aged 75-84 that are owner-occupiers is likely to have risen from the present 72% to close to 85%. If the proportion of under-occupying owner-occupiers aged 75-84 remains unchanged, then the proportion of all under-occupying households in that age range will also rise.

284. The increase in the number of under-occupying owner-occupiers that can be expected in the future depends on:

- The number of households in future in the higher age ranges
- The proportion of households in those age ranges that will be owner-occupiers
- The proportions of owner-occupiers who are under-occupying.

285. Of these, (a) comes from household projections, and cannot be taken further until new official household projections become available. But (b) and (c) can be studied with information from the SEH.

### **Proportions of under-occupying owner-occupiers at different ages**

286. Information from the SHE for 2002/03, 2003/04 and 2004/05 combined was analysed to show the proportions of under-occupying owner-occupier households in each age range. This analysis was made separately for couple households and one-person households. For England, under-occupiers were calculated separately for “never-married” and “formerly married” one-person households, but not for the South East region, owing to the sample numbers available. “Formerly married” comprises widowed, divorced, and separated but still legally married men and women. The amount of housing space occupied by formerly married men and women living alone is more likely to be related to the amount of space that couple households occupy.

287. Table H1 shows the proportion of owner-occupied couple and one-person households in the South East who under-occupy. All owner-occupiers are included, both outright owners and owner-occupiers with mortgages. Households aged under 45 are not

included, as they are not really relevant to the effects of ageing in the existing population. Grossed totals of households are shown as the base for the proportions.

*Table H1: Proportions of owner-occupiers with two or more bedrooms more than the standard number: South East: analysed by age*

|                               | <b>Couple households</b> |  | <b>One-person households</b> |  |
|-------------------------------|--------------------------|--|------------------------------|--|
|                               | Total<br>(thousands)     | % with two or<br>more bedrooms<br>above standard | Total<br>(thousands)         | % with two or<br>more bedrooms<br>above standard |
| <b>Age</b>                    |                          |  |                              |  |
| 45-49                         | 193                      | 44   | 28                           | 45   |
| 50-54                         | 196                      | 51   | 34                           | 61   |
| 55-59                         | 219                      | 67   | 47                           | 58   |
| 60-64                         | 139                      | 74   | 46                           | 60   |
| 65-69                         | 123                      | 73   | 42                           | 62   |
| 70-74                         | 84                       | 72   | 59                           | 48   |
| 75-79                         | 69                       | 67   | 63                           | 50   |
| 80-84                         | 46                       | 58   | 53                           | 45   |
| 85 and over                   | 13                       | 72   | 43                           | 44   |
| <b>Total aged 45 and over</b> | <b>1,081</b>             | <b>62</b>  | <b>415</b>                   | <b>52</b>  |

*Source: CCHPR from data from the SEH made available by ODPM*

288. The rise in the proportion of households who under-occupy at ages up to 60-64 is doubtless mainly the result of sons and daughters leaving the parental home. Potentially important is how far the reduction at ages above 70-74 (for couple households) is the result of moves to smaller houses and how far (if at all) it is due fewer couples of these ages having had larger homes in the first place, i.e. a cohort difference between couples aged 70-74 and younger age groups. That the proportion of one-person households at the high ages with two or more bedrooms more than the standard number is distinctly lower than the corresponding proportion of couple households points to moves to smaller houses consequent on widowhood.

289. The effects of widowhood can be shown more clearly for England as a whole (Table H2) as the sample numbers are large enough to divide one-person households into never-married and formerly married. At the younger ages the distinction may be beginning to blur, as ex-members of cohabiting couple households will in many instances be “never-married”. The growth of cohabitation is too recent, though, for this to be much of an issue at ages over 60.

*Table H2: Proportions of owner-occupiers with two or more bedrooms more than the standard number: England: analysis by age (numbers in thousands)*



|                               | <b>Couple households</b> |                       | <b>One-person households</b> |                       |                                     |                       |  |                       |
|-------------------------------|--------------------------|-----------------------|------------------------------|-----------------------|-------------------------------------|-----------------------|--|-----------------------|
|                               |                          |                       | All one-person households    |                       | Never-married one-person households |                       | Formerly married one-person households |                       |
|                               | Number                   | Two or more above (%) | Number                       | Two or more above (%) | Number                              | Two or more above (%) | Number                                 | Two or more above (%) |
| <b>Age</b>                    |                          |                       |                              |                       |                                     |                       |  |                       |
| 45-49                         | 1,084                    | 35                    | 174                          | 53                    | 86                                  | 48                    | 88                                     | 57                    |
| 50-54                         | 1,094                    | 47                    | 217                          | 59                    | 71                                  | 54                    | 145                                    | 62                    |
| 55-59                         | 1,122                    | 62                    | 279                          | 57                    | 74                                  | 47                    | 205                                    | 61                    |
| 60-64                         | 765                      | 69                    | 250                          | 61                    | 51                                  | 44                    | 199                                    | 65                    |
| 65-69                         | 707                      | 71                    | 277                          | 57                    | 44                                  | 47                    | 233                                    | 59                    |
| 70-74                         | 530                      | 68                    | 329                          | 55                    | 39                                  | 39                    | 290                                    | 58                    |
| 75-79                         | 411                      | 66                    | 373                          | 56                    | 45                                  | 40                    | 328                                    | 58                    |
| 80-84                         | 218                      | 59                    | 302                          | 51                    | 24                                  | 46                    | 278                                    | 51                    |
| 85 and over                   | 75                       | 54                    | 204                          | 46                    | 16                                  | 47                    | 187                                    | 46                    |
| <b>Total aged 45 and over</b> | <b>6,007</b>             | <b>57</b>             | <b>2,404</b>                 | <b>55</b>             | <b>451</b>                          | <b>46</b>             | <b>1,954</b>                           | <b>57</b>             |

*Source: CCHPR from data from the SEH made available by ODPM*

290. In most age groups the proportion of owner-occupier households who under-occupy was rather higher in the South East than in England as a whole, though the comparison enables the very high proportion in the highest age group in the South East to be disregarded as a sampling quirk. The data for the whole of England confirm the findings for the South East: that the proportions of one-person owner-occupier households that have two or more bedrooms more than the standard number are lower than the corresponding proportion of couples, age for age. The differences are smaller if the comparison is made between couple households and only formerly married one-person households, which is the most relevant comparison for assessing the extent to which widowhood leads to moves to smaller households.

### **Proportions of households that are owner-occupiers**

291. Table H3, which is derived from the SEH, shows the proportions of couple and one-person households in the South East that were owner-occupiers in 2000/01, 2001/02 and 2002/03 combined (chosen to provide base period proportions for a housing demand and need calculation). Proportions for England are included for comparison.

*Table H3: Proportions of couple and one-person households in the South East that were owner-occupiers in 2000/01 to 2002/03 (shown as percentages)*

|             | South East        |                       | England           |                       |
|-------------|-------------------|-----------------------|-------------------|-----------------------|
|             | Couple households | One-person households | Couple households | One-person households |
| Age         |                   |                       |                   |                       |
| 45-49       | 87                | 70                    | 86                | 60                    |
| 50-54       | 90                | 65                    | 89                | 62                    |
| 55-59       | 91                | 76                    | 87                | 66                    |
| 60-64       | 89                | 66                    | 86                | 60                    |
| 65-69       | 89                | 72                    | 84                | 62                    |
| 70-74       | 84                | 67                    | 82                | 60                    |
| 75-79       | 81                | 66                    | 77                | 57                    |
| 80-84       | 79                | 64                    | 75                | 55                    |
| 85 and over | 69                | 65                    | 73                | 52                    |

*Source: Tables from the SEH supplied by ODPM*

292. The age profile proportions of couple households who were owner-occupiers in the South East is very similar to those in England as a whole, though the proportions in the South East are slightly higher. The proportions of one-person households in the South East that are owner-occupiers vary more erratically between adjacent income ranges, and some smoothing is necessary to use the method described above of “rolling forward” the proportions of owner-occupiers. The proportions forecast by “rolling forward” are shown in Table H4.

*Table H4: Forecast proportions of couple households and one-person households in the South East that will be owner-occupiers (shown as percentages)*

|             | Couple households |      |      | One-person households |      |      |
|-------------|-------------------|------|------|-----------------------|------|------|
|             | 2001              | 2011 | 2021 | 2001                  | 2011 | 2021 |
| Age         |                   |      |      |                       |      |      |
| 45-49       | 87                | 87   | 87   | 65                    | 65   | 65   |
| 50-54       | 90                | 90   | 90   | 68                    | 68   | 68   |
| 55-59       | 91                | 91   | 91   | 70                    | 70   | 70   |
| 60-64       | 89                | 91   | 91   | 68                    | 70   | 70   |
| 65-69       | 89                | 91   | 91   | 67                    | 70   | 70   |
| 70-74       | 84                | 89   | 91   | 67                    | 68   | 70   |
| 75-79       | 81                | 89   | 91   | 66                    | 67   | 70   |
| 80-84       | 79                | 84   | 89   | 65                    | 67   | 68   |
| 85 and over | 69                | 79   | 84   | 65                    | 66   | 67   |

*Source: Table 16 and see text*

293. Proportions of all households in the South East that will be under-occupying owner-occupiers are forecast by multiplying the proportions of owner-occupiers in Table H3 by the proportions in Table H1 of owner-occupiers that under-occupy (i.e. have two or more bedrooms above the standard number). No change is assumed in the proportions in each age group who under-occupy. No cohort effect is assumed, owing to uncertainty about distinguishing it from the effect of moves to smaller houses. As an example of the calculation, couples aged 70-74 may be taken: 72% of owner-occupiers in this age range under-occupy and in 2001, 84% of all couple households were owner-occupiers. Multiplying

0.84 x 0.72 gives 0.60, so 60% of all couple households aged 70-74 were owner-occupiers with two or more bedrooms above standard. A similar calculation for 2011 and 2021 (Table H4) gives 64% and 66% as the proportions of all couple households that will be under-occupying owner-occupiers. Table H5 shows the proportions for all age groups and years included in Table H4.

*Table H5: Proportions of couple households and one-person households that will be under-occupying owner-occupiers (shown as percentages)*

|             | Couple households |      |      | One-Person Households |      |      |
|-------------|-------------------|------|------|-----------------------|------|------|
|             | 2001              | 2011 | 2021 | 2001                  | 2011 | 2021 |
| Age         |                   |      |      |                       |      |      |
| 45-49       | 38                | 38   | 38   | 29                    | 29   | 29   |
| 50-54       | 46                | 46   | 46   | 41                    | 41   | 41   |
| 55-59       | 61                | 61   | 61   | 41                    | 41   | 41   |
| 60-64       | 66                | 67   | 67   | 41                    | 42   | 42   |
| 65-69       | 65                | 66   | 66   | 42                    | 43   | 43   |
| 70-74       | 60                | 64   | 66   | 32                    | 33   | 34   |
| 75-79       | 54                | 60   | 61   | 32                    | 34   | 35   |
| 80-84       | 46                | 49   | 52   | 29                    | 32   | 32   |
| 85 and over | 40                | 46   | 49   | 29                    | 32   | 32   |

*Source: Tables 14 and 17 and see text*

294. The proportions of couple households, and to a lesser extent one-person households, in the South East that are under-occupying owner-occupiers will increase as a result of ageing. The numbers will depend on how large the increase is in the number of households in these age ranges.

295. Table H6 shows the projected number of couple and one-person households in the age ranges from 45-49 upwards.

*Table H6: Projections of couple and one-person households in the South East region in 2001 and 2021(thousands)*

| Age                           | Couple households |              | One-person households |              |
|-------------------------------|-------------------|--------------|-----------------------|--------------|
|                               | 2001              | 2021         | 2001                  | 2021         |
| 45-49                         | 200               | 195          | 52                    | 96           |
| 50-54                         | 223               | 219          | 65                    | 117          |
| 55-59                         | 190               | 221          | 64                    | 134          |
| 60-64                         | 154               | 192          | 64                    | 121          |
| 65-69                         | 135               | 164          | 73                    | 113          |
| 70-74                         | 112               | 165          | 89                    | 127          |
| 75-79                         | 81                | 119          | 100                   | 120          |
| 80-84                         | 45                | 72           | 87                    | 102          |
| 85 and over                   | 22                | 50           | 85                    | 129          |
| <b>Total aged 45 and over</b> | <b>1,162</b>      | <b>1,331</b> | <b>679</b>            | <b>1,059</b> |

*Source: ODPM's New Projections of Households for England and the Regions to 2026*

296. The projected change in the number of owner-occupiers with two or more bedrooms more than the standard as derived from Tables H5 and H6 is shown in Table H7.

*Table H7: Owner-occupier households the South East region in 2001 and 2021 with two or more bedrooms more than standard (thousands)*

|                               | Couple households |            | One-person households |            |
|-------------------------------|-------------------|------------|-----------------------|------------|
|                               | 2001              | 2021       | 2001                  | 2021       |
| <b>Age</b>                    |                   |            |                       |            |
| 45-49                         | 76                | 74         | 15                    | 28         |
| 50-54                         | 103               | 101        | 27                    | 48         |
| 55-59                         | 116               | 135        | 26                    | 55         |
| 60-64                         | 102               | 129        | 26                    | 51         |
| 65-69                         | 88                | 108        | 31                    | 49         |
| 70-74                         | 67                | 109        | 28                    | 43         |
| 75-79                         | 44                | 73         | 32                    | 42         |
| 80-84                         | 21                | 37         | 25                    | 33         |
| 85 and over                   | 9                 | 25         | 25                    | 41         |
| <b>Total aged 45 and over</b> | <b>626</b>        | <b>756</b> | <b>235</b>            | <b>390</b> |

*Source: Calculated from Tables H5 and H6*

297. Before commenting on the results of the calculation in Table H7, it is useful to show how much of the projected increase of 320,000 owner-occupier households with two or more bedrooms above the standard number is the result of changes in the number of households (Table H6) and how much the result of increases in the proportion of older households that will be owner-occupiers (Table H5). As mentioned above, no change is assumed in the proportion of owner-occupiers in each age group that will have two or more bedrooms above standard. To calculate how much of the overall increase is in each component, a total in 2021 is calculated from the projected number of households in each age group in 2001 that were owner-occupiers with two or more bedrooms above the standard number.

*Table H8: Components of projected increase in owner-occupiers households with two or more bedrooms above standard*

| (thousands) |  |                   |                       |       |
|-------------|--|-------------------|-----------------------|-------|
|             |  | Couple households | One-person households | Total |
| A           | Number in 2001   | 626               | 235                   | 861   |
| B           | Projected number in 2021   | 791               | 390                   | 1,181 |
| C           | Projected number in 2021 with proportions as in 2001   | 762               | 376                   | 1,138 |
| D           | Increase between 2001 and 2021 due to population growth (line C minus line A)                    | +136              | +141                  | +277  |
| E           | Increase between 2001 and 2021 due to higher proportion of owner-occupiers (line B minus line C) | +29               | +14                   | +43   |
| F           | Total increase (line B minus line A or line D plus line E)                                       | +165              | +155                  | +320  |

298. In round terms an increase of around 300,000 owner-occupiers in the South East region living at low densities is projected between 2001 and 2021. This increase is a consequence of ageing in two ways: the increase in the number of households of middle age or above; and the increase in the proportions of older households that will be owner-occupiers – the consequence, after a time-lag, of past increases in owner-occupation. The increase in the number of households in total explains arithmetically about 85% of the overall increase in owner-occupier households aged 45 and over living at low densities in the South East region in the two decades from 2001. They are households already in being in the region, not (except in a very small way) inward migrants, either continuing as couple households or as widowed or divorced former members of couple households now living alone.

299. The estimate of the increase in the number of owner-occupiers living at low densities depends on:

- An assumption of little or no net movement by households aged 45 and over from owner-occupation to renting or vice versa, except as a consequence of widowhood (which is brought to account by the difference between the proportions of couples and one-person households that are owner-occupiers)
- An assumption that there will be no significant change in the proportion of owner-occupier households in each age range that have two or more bedrooms more than the standard number, that is to say no change in the proportion that move from family-sized houses to smaller houses or to flats
- Use of ODPM's official 2003-based projections.

300. Assumptions (a) and (b) appear reasonable, but clearly have to be kept under review as survey data for succeeding years come to hand. Household projections can also be reviewed.

## ***Annex I: Current practice in making best use of the housing stock***

301. This Annex presents a review of current practice in making best possible use of the existing housing stock. It draws upon a review of literature and policy and also on a survey of local authorities in the South East carried out for this research. Some issues, such as the need to make best use of empty properties, have been the focus of considerable attention over recent years. Other issues, such as social housing allocation policies, are less well developed.

### **What should be done to reduce demand for second homes?**

302. It has been argued that tinkering with the market by forcing people to sell only to locals creates problems for those trying to sell, and that the impact of the demand for second homes is best met by increasing supply so that this demand can be met whilst allowing enough housing to be available for permanent residents (CML 2001).

303. The Countryside Agency also agrees that stopping people buying second homes would be difficult and ineffective since it is only one factor among many that fuel the market. Building more affordable housing would be more effective. They also recommend:

- Improved national guidelines for occupancy clauses to ensure that they work over the long term
- Testing the idea of having a separate use class for second homes, and of using planning to limit occupancy on all new housing in a specific locality
- More research on impact of second homes
- Further restriction on the Right-to-Buy, along with tighter definitions of local people to whom properties may be resold.

304. Requiring planning permission to be obtained for a property to become a second home has been proposed by the Liberal Democrats. However, concerns have been expressed that it could be difficult to enforce or could reduce property values, causing difficulties for the current owners.

305. One difficulty that has arisen very recently facing districts concerned about levels of second homes is the problem of counting them. Until the recent changes in council tax, second homes attracted a 50% reduction in council tax. The survey of districts in the South East carried out for this research found that almost all districts have now removed this discount and offer only a 10% discount to most second-home owners. There is, however, a 25% discount available for single (adult) occupants' main dwellings. Some districts are now concerned that second home-owners are sometimes registering their property as a single-occupancy main dwelling, rather than a second home. This means that councils now need to take more steps to ensure that second homes are registered as such, if they are to apply the correct discounts, and be aware of the numbers.

### **What should be done to reduce levels of empty properties?**

306. This is an area where much research has already been carried out. These are the main recommendations that previous research has produced:

- Improve the accuracy of the data local authorities collect on empty homes in the HIP returns so that they are better placed to tackle the issues (House of Commons 2002; CIH 2004).
- Require agencies and departments holding “other public sector stock” to make an annual report on their holdings of vacant stock to the local authority (House of Commons 2002).
- Employ specialised empty property officers in local authorities and ensure that councils commit to this role (House of Commons 2002).
- Threaten and use compulsory purchase orders (House of Commons 2002; CIH 2004).
- Use compulsory leasing schemes for long-term vacant properties (House of Commons 2002).
- Ensure that delays in payment of Housing Benefit do not discourage landlords from letting properties to homeless tenants (House of Commons 2002).
- Set up an Empty Homes Hotline. The London Empty Homes Hotline was set up in 2003 to encourage residents to report empty properties, and also to offer free advice to property owners (CIH 2004).
- Develop imaginative schemes to bring properties into use. These include private-sector leasing schemes whereby an RSL contributes funding and/or management skills to bring the property into use and then use it for a period to rent to a household in need. The CIH report offers many examples of good practice in bringing empty properties back into use within the existing policy framework, including setting up short-life housing co-operatives, support to private-sector landlords, and vetting of local letting agencies.
- Conversions, additions and improvements to the existing stock of inner city suburbs to make them more usable and attractive (Rogers 2005).
- Reduce capital gains tax relief on gains from home ownership. This would serve to reduce the attractiveness of real estate for investment alone (Firth & Zogolovitch 2004).
- Assess whether a joint approach between local authorities to empty homes would be successful (Affordable Rural Housing Commission 2006).
- Involve rural housing enablers in reclaiming empty rural homes (Affordable Rural Housing Commission 2006).

307. Many of these recommendations require action at the district level. Research carried out for this project found wide variations between districts in the South East in terms of efforts in reducing levels of empty homes. Local authorities generally gather their data on empty properties from their council tax records. Most local authorities were able to provide data on the number of empty properties in both 2001 and 2005 and some were able to break this down by tenure and by whether or not the property had been empty for six months or more. There were, however, some districts which were unable to distinguish empty properties from second homes in their data, or were unable to find any data.

308. There was also a great deal of variation between the levels of attention given locally to empty homes. Some local authorities collected little data on the numbers of empty

properties, and had no current policies for reducing the numbers. Others counted numbers and produced advice leaflets to distribute to the owners of empty homes. Councils with the most interest in the issue had specially formulated empty homes strategies, either as stand-alone documents, or incorporated within the wider housing strategy. A few had commissioned independent research into the issue, or carried out their own.

309. Some districts benefited from county-wide initiatives such as the Sussex Empty Homes Forum which keeps districts updated on the national developments, shares good practice and allows the expertise of specialist empty property officers employed in Hastings, Brighton and Eastbourne to be shared. As discussed in Chapter 2.6, Shepway and Thanet are the two districts in the South East where levels of empty properties are highest and therefore represent both the biggest challenge, and the biggest potential for making better use of existing housing stock.

310. Actions currently proposed in empty homes strategies to reduce the levels of empty homes include:

- Establishing from council tax records or other sources the numbers and locations of empty properties, and the address of the owner, and setting up an empty properties register to keep this information updated. Some districts also ran campaigns and set up telephone hotlines encouraging the public to report empty homes.
- Researching the reasons why properties are empty.
- Prioritising empty homes that are causing a nuisance or that are in locations, or of the size, most badly needed by housing register applicants.
- Identifying vacant commercial properties, including those above shops.
- Checking up on long-term empty properties by the environmental health department in order to establish the condition.
- Contacting owners of empty properties advising them of their options.
- The use of housing association purchase and repair schemes.
- The provision of grants or loans to repair properties, linked to councils gaining tenant nomination rights for a time period. They may also be used to help turn commercial empty space into HMOs or hostels.
- Living Over The Shop initiative to bring space over shops into use as residential flats. More success is believed to be possible in the future by working with multiple retailers.
- Encouraging flexibility in the planning process over issues such as changing the use of commercial space to residential, in particular over issues such as parking space requirements, when flats over shops could otherwise be brought into use.
- Use of private-sector leasing schemes whereby properties are leased by the council and used as temporary housing for homeless applicants.
- Working with private-sector landlords to encourage them to let to low-income tenants and those on housing benefit, and ensure that properties do not remain empty, or promoting approved letting agencies.
- Considering the use of Empty Homes Management Orders, though these are still very new.



- Reducing the council tax discount on empty properties. Nearly all districts in the South East had made use of the new provisions and eliminated (or reduced to just 10%) the discounts on properties that had been empty for more than six months.
- The use of Repair Orders, Works in Default and Compulsory Sale. These allow councils to order a property owner to repair a property, carry out the repairs themselves if the owner refuses, and sell the property if necessary to recover the costs. This can be an easier process than compulsory purchase orders.
- The use of compulsory purchase orders; however, some councils consider this to be a time-consuming process and therefore a last resort.

311. Difficulties reported by local authorities in bringing properties back into use included:

- Inability to identify empty properties and find the addresses of the owners. This is a particular difficulty in rural areas where empty properties are spread over a larger area. However, the recent legislation allowing the use of council tax records for this purpose should improve the situation.
- No clearly defined strategy or procedures.
- Complex legal procedures.
- Limited staff resources.
- No dedicated financial resources.
- Owners who are simply unwilling to communicate with the council.
- Owners who fail to act on receiving statutory notices and therefore delay the reuse or improvement of their property.
- Elderly owners in care who refuse to sell their property even when they are unlikely ever to reoccupy it.
- Owners who have purchased properties as a speculative investment and who fail to maintain or use the property.
- Purchase and repair schemes no longer being viable under Housing Corporation guidelines, owing to the rising property market. Rents chargeable on renovated properties were now subject to the same restrictions as long-term social rented housing, so this made it difficult to make such schemes economically viable. Some districts have since stopped using these schemes.

312. One important issue that has arisen in the last two years is the difficulties local authorities now have in identifying and counting empty properties. Several local authorities alerted us to concerns they had with the data collected. Some said that they had carried out some research into properties listed under council tax records as empty and had found that many were not in fact empty, and that the data councils submit for the HIP return is “fundamentally incorrect”. One admitted that they had inadvertently included in their HIP return properties that were exempt from council tax for “other reasons”. More generally, similar issues now apply with counting up the numbers of empty properties from council tax data as discussed above in relation to second homes: There is no longer an economic incentive for owners to declare their property empty after six months, and indeed the new powers to take action against empty homes may mean a greater incentive not to declare that

the property is empty. This again means that local authorities are going to have to be more proactive in their efforts to establish whether properties are in fact empty if they wish to tackle the issue effectively.

### **How can best use be made of existing social sector stock?**

313. Under-occupation is generally much lower in the social sector than in the private sector. This is because of careful allocation policies in most districts that closely match household size to property size. Nevertheless some households do end up with larger properties than they need, usually after their children have left home. There is therefore the potential to make better use of the existing social sector stock, and hence to reduce housing waiting lists and overcrowding by younger families, if some of these under-occupying households can be persuaded to move to smaller properties.

314. The survey of local authorities in the South East asked about systems they had in place to encourage best use of the existing social sector stock.

315. Both councils and housing associations commonly operate policies aimed at encouraging over-occupiers to move to smaller properties. Policies offered one or more of the following:

- Offering a cash incentive to those willing to move. Incentives were generally in the region of £200-£1000 for removal costs and a further £500-£1000 for each bedroom lost. Most (though not all) councils/ RSLs offered a cash incentive, though there was some variation in how keenly this was promoted, as well as in the amounts offered.
- Giving under-occupiers high priority on the housing register for transfer to ensure that they could out-compete other households in housing need. There was considerable variation here, with some districts giving relatively low priority, and others ensuring that under-occupiers were prioritised over all other groups.
- Allowing downsizing under-occupiers to be given priority for the most attractive accommodation, such as newly built bungalows, and/or allowing them to transfer to two-bedroom properties, even though they would normally only be considered to need one bedroom. Some districts operated similar policies.
- Offering practical assistance with the move in the form of a removal service, help packing boxes, and a handyman to help for a few hours in the new home.

316. Some councils raised the difficulties they faced in persuading tenants to make use of such schemes, however, and pointed out that tenants have security of tenure so cannot be forced to move. They often like having a spare bedroom or were attached to their houses for sentimental reasons. Government policies aimed at keeping frail elderly and disabled people in their own homes whenever possible also mean that older people are increasingly able to stay in family-sized homes if they so choose.

317. In addition to reducing under-occupation, other policies were also in place in some councils to ensure best use of the council/RSL stock. These included:

- Cash incentive schemes to encourage working households to move out and buy a house.

- Promotion of shared ownership to encourage working households to move out and part-buy a house.
- Advising tenants to apply for different areas or property types in order to speed up their transfer process.
- Allowing those succeeding tenancies who would be under-occupying to be given instead a tenancy for a smaller property.
- Operating choice-based letting systems, which aims to reduce the time taken to re-let a property, which was sometimes delayed previously as a result of people refusing offers.
- Reviewing the need for sheltered accommodation, in view of the increasing practice of keeping frail elderly people within their own housing, and in some cases re-designating some sheltered housing as general needs housing.
- Prioritising applicants with special needs for suitable accommodation, to ensure that specially adapted accommodation is not wasted on a household that does not need the adaptations.

318. The main way in which the condition of social sector stock is improved is through the implementation of the Decent Homes Standard.

#### **How can best use be made of the private sector stock?**

319. There is little that can be done in the private sector in terms of occupancy to make best use of the housing stock. In a market setting it is demand that governs who purchases and rents the housing stock. Local authorities can, however, be proactive in terms of supporting repair and renovation of the private sector housing stock via:

- Reorganisation of local authority teams/services, relocation of offices and changing strategies where appropriate.
- Regular surveys of stock condition.
- Advice and guidance on repairs, renovation and conversions for private-sector landlords and owner-occupiers.
- Energy efficiency publicity, advice and guidance.
- The enforcement of minimum building regulations standards on new build and conversions.
- The management and distribution of grants for energy efficiency improvements. Some of these grants are means tested. Most grants are aimed at insulation improvement, although some also target heating systems.
- The management and distribution of grants for building repair and renovation. Most of these are means tested.
- The provision of support for independent living (for the vulnerable and elderly) via support for building improvements, improved facilities, home-help staff, handymen and building repair.
- Enforcement on buildings considered dangerous, linked to social problems or unfit for human habitation. Direct action can include closure, demolition or repair – as well as legal action against the landlord.

- Regulation of HMOs, and efforts to improve their standards. A high proportion of HMOs are unfit.

### **How can resource efficiency be improved?**

320. The Government's Energy White Paper (Department for Trade and Industry 2003) identifies energy efficiency as the cheapest, cleanest and safest way to achieve the UK carbon reduction targets. With the domestic sector in the UK accounting for almost a third of UK carbon dioxide emissions, housing has a significant part to play in meeting the UK's demanding targets of delivering a 60% reduction in carbon emissions by 2050. This reduction is crucial, given the growing impact of climate change.

321. Adaptation to unavoidable climate change impacts requires a reduction in water consumption. There is great scope for water efficiency improvements in existing homes, such as retrofitting water-efficient appliances. Research by the Environment Agency suggests this could reduce household water consumption by almost 40% without requiring any behavioural change (Sustainable Development Commission 2005).

322. Better measures are also needed to deal with flooding, which is a major issue in South East England. There are already around 235,000 properties in the South East at risk of flooding. The potential removal of insurance from houses in at-risk areas is already a problem in Thames Gateway ([www.environment-agency.gov.uk](http://www.environment-agency.gov.uk)).

323. One of the simplest ways of improving energy efficiency of housing is improved insulation. *Findings and Recommendations from the Scottish Energy Efficiency Initiatives* (Building Research Establishment, 1996) found that simple measures such as loft insulation and cavity wall insulation were generally cost-effective. More advanced measures, such as multiple glazing and external insulation were less so, although they did provide secondary benefits.

324. Using energy demand and supply considerations, Johnston's 'Emission Model' of the UK housing stock (2003) has shown that it is technically feasible, using currently available technology, to achieve CO<sub>2</sub> emission reductions in excess of 80% within the UK housing stock by the middle of this century. However, such reductions would require a strategic shift in energy supply and demand side technology – i.e. a shift away from carbon-based fuels for energy production.

325. However, increasing energy demands from China mean that instead of an energy economy being powered primarily by wood, dung and biomass, by 2020 China will be responsible for 40% of all coal burned, 10% of all oil consumed, 13% of all electricity used, and 20% of all energy-based CO<sub>2</sub> emissions.

326. In the South East, renewable energy accounts for less than 1% of electricity. Further carbon savings may be reached through low and zero carbon technologies at a household level – photovoltaics (PV) and combined heat and power (CHP). The Clear Skies programme grant-funds a range of micro renewable technologies for householders including solar water heating. PV electricity generating systems may replace standard roofing materials to generate carbon-free power (Sustainable Development Commission 2005). Wind turbines are generally more desirable now. However, many of these technologies are not yet cost-effective and will need support to become so, especially for all groups in society (Environmental Change Institute, 2006).

327. On waste generation, particularly from construction and demolition, it is the refurbishment of existing housing stock rather than the development of new homes that is key to reducing this waste. Studies have shown that refurbishment requires considerably fewer materials than redevelopment. URBED suggest that “upgrading existing houses to meet modern standards of energy conservation would ... reduce energy consumption, as would living at higher densities in better-insulated homes” (2004). English Heritage have shown that the cost of repairing a typical Victorian terraced house can be 40-60% cheaper than replacing it with a new home (English Heritage 2003). A recent study by the Building Research Establishment suggests a 20% saving in environmental impact through refurbishment, and 12% saving in whole life costs, largely due to the saving in demolition and material that would be involved in redevelopment (Sustainable Development Commission 2005).

328. Government bodies have recommended that in the future, at least 10% of the materials value of a construction project should come from reused, reclaimed or recycled content (<http://www.wrap.org.uk/construction/materials.html>).

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